Ontario

Ministry of Finance

Public Accounts of Ontario

Financial Statements of Crown Corporations, Boards, Commissions

2000-2001

VOLUME 2

104-02779/

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MINISTERIAL RESPONSIBILITY FOR GOVERNMENT ENTERPRISES, ORGANIZATIONS, TRUSTS & OTHER

- Minister of Agriculture, Food and Rural Affairs
    - Agricorp
- Attorney General
    - Legal Aid Ontario
    - The Public Guardian and Trustee for the Province of Ontario
- Minister of Citizenship, Culture, and Recreation
    - The Centennial Centre of Science and Technology
    - Ontario Educational Communications Authority (TV Ontario)
    - Ontario Trillium Foundation
    - Royal Ontario Museum
- Minister of Consumer and Commercial Relations
    - Liquor Control Board of Ontario
- Minister of Economic Development and Trade
    - Metropolitan Toronto Convention Centre Corporation
    - Niagara Parks Commission
    - Ontario Development Corporation
    - Ontario Place Corporation
- Minister of Energy, Science and Technology
    - Hydro One Inc.
    - Independent Electricity Market Operator
    - Ontario Power Generation
- Minister of Environment
    - Ontario Clean Water Agency
- Minister of Finance
    - Deposit Insurance Corporation of Ontario
    - Losses deleted from the accounts
    - Motor Vehicle Accident Claims Fund
    - Ontario Electricity Financial Corporation
    - Ontario Financing Authority
    - Ontario Securities Commission
    - Provincial Judges Pension Fund
    - Revenue remissions
- Minister of Health and Long Term Care
    - Cancer Care Ontario
- Minister of Labour
    - Workplace Safety and Insurance Board
- Chair of Management Board of Cabinet (Management Board Secretariat)
    - Ontario Lottery and Gaming Corporation
    - Ontario Pension Board
    - Ontario Realty Corporation
- Minister of Municipal Affairs and Housing
    - Ontario Housing Corporation
- Minister of Natural Resources
    - Algonquin Forestry Authority
- Minister of Northern Development and Mines
    - Northern Ontario Heritage Fund Corporation
- Minister of Transportation
    - Ontario Northland Transportation Commission
    - Toronto Area Transit Operating Authority

A GUIDE TO PUBLIC ACCOUNTS

SCOPE OF THE PUBLIC ACCOUNTS

The 2000-2001 Public Accounts of the Province of Ontario comprise the financial statements and three volumes:
Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund reflects the financial activities of the government's ministries on a modified cash basis.
Volume 2 contains the financial statements of significant provincial crown corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.
Volume 3 contains the details of expenditure and the Ontario Public Sector salary disclosure.

A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2000 to March 31, 2001. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

ONTARIO PUBLIC SECTOR SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act* requires employers in the public sector to disclose the names, positions, salaries and taxable benefits of employees paid $100,000 or more in the previous calendar year. One of the requirements is to include the information with their annual report or financial statements.

The employees of the following enterprises, organizations, trusts and ministry employees are paid through the Ontario government payroll system. Therefore, any employees paid $100,000 or more in 2000 are listed in the OPS listing in Volume 3 of the Public Accounts:

Algonquin Forestry Authority
Ontario Development Corporation
Ontario Housing Corporation
Ontario Place
Ontario Realty Corporation
Motor Vehicle Accident Claims Fund
Provincial Judges Pension Fund
The Public Guardian and Trustee for the Province of Ontario

The following enterprises, organizations and trusts had no employees who were paid $100,000 or more in 2000:

Northern Ontario Heritage Fund Corporation

For enterprises, organizations and trusts who have employees who were paid $100,000 or more in 2000, the listing required by the Act is included with their financial statements in this volume.

GOVERNMENT ENTERPRISES

Algonquin Forestry Authority

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the Algonquin Forestry Authority Act.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Tim Doyle CA	C. Corbett
Tim Doyle C.A. Treasurer	Carl Corbett R.P.F. General Manager

Algonquin Forestry Authority

Auditor's Report

To the Members,
Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the statement of financial position of the Algonquin Forestry Authority as at March 31, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J.R. McCarter, CA
Assistant Provincial Auditor

Toronto, Ontario
June 14, 2001

Algonquin Forestry Authority

Statement of Financial Position

Year Ended March 31

	2001	2000
Assets		
Current		
Cash (Note 3)	$ 4,608,171	$ 5,600,191
Receivables	3,553,781	1,838,502
Inventory	550,609	679,472
Prepaids	3,472	2,572
	8,716,033	8,120,737
Capital assets (Note 4)	1,580,942	1,662,108
	$ 10,296,975	$ 9,782,845
Liabilities		
Current		
Payables and accruals	$ 462,702	$ 647,852
Contractors' performance holdbacks	55,989	29,382
Due to Consolidated Revenue Fund	402,376	210,323
	921,067	887,557
Deferred contributions (Note 5)	577,911	54,710
Deferred contributions related to forest renewal activity (Note 6)	934,509	1,183,206
Obligation for employee future benefits (Notes 7, 8)	292,294	272,925
	1,804,714	1,510,841
Net assets		
Invested in capital assets	1,580,942	1,662,108
Restricted - Forest Renewal Fund (Note 3)	2,181,920	2,029,960
Unrestricted - General Fund (Note 8)	3,808,332	3,692,379
	7,571,194	7,384,447
	$ 10,296,975	$ 9,782,845

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Statement of Operations
Year Ended March 31

	General Fund	Forest Renewal Fund	**Total 2001**	Total 2000
Revenue				
Product sales	$ 19,245,560	$ ---	**$19,245,560**	$ 17,856,082
Standing timber sales	1,164,778	---	**1,164,778**	1,303,707
Forest renewal activity	---	1,246,683	**1,246,683**	893,823
Other	487,030	115,279	**602,309**	663,367
	20,897,368	1,361,962	**22,259,330**	20,716,979
Expenditure				
Direct program costs	14,734,641	952,349	**15,686,990**	14,860,751
Crown timber stumpage charges	3,951,166	---	**3,951,166**	3,082,492
Public access road maintenance	287,969	---	**287,969**	414,537
Wood measurement	146,828	---	**146,828**	143,522
Operations planning	84,057	---	**84,057**	60,787
	19,204,661	952,349	**20,157,010**	18,562,089
Operating income	1,692,707	409,613	**2,102,320**	2,154,890
Administrative and other				
Salaries and benefits (Note 8)	990,746	232,650	**1,223,396**	1,122,705
Depreciation and amortization	388,900	36,681	**425,581**	418,086
Office supplies and expenses	69,454	490	**69,944**	83,562
Staff travel and training	56,731	2,518	**59,249**	57,300
Office rent	33,338	16,810	**50,148**	51,682
Public relations	41,523	315	**41,838**	70,715
Directors' allowances and expenses	26,711	---	**26,711**	26,377
Insurance	10,912	4,870	**15,782**	16,210
Consulting, legal and miscellaneous	2,924	---	**2,924**	17,540
	1,621,239	294,334	**1,915,573**	1,864,177
Net income for the year (Note 8)	$ 71,468	$ 115,279	**$ 186,747**	$ 290,713

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Statement of Changes in Net Assets
Year Ended March 31

				2001	2000
	Invested In Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	**Total**	Total
Balance, beginning of year, as previously reported	$ 1,662,108	$ 2,029,960	$ 3,965,304	**$ 7,657,372**	$7,347,290
Change in accounting policy (Note 8)	---	---	(272,925)	**(272,925)**	(253,556)
Balance, beginning of year, as restated	1,662,108	2,029,960	3,692,379	**7,384,447**	7,093,734
Net income (loss) for the year	(425,581)	151,960	460,368	**186,747**	290,713
Investment in capital assets	344,415	---	(344,415)	**---**	---
Balance, end of year	$ 1,580,942	$ 2,181,920	$ 3,808,332	**$ 7,571,194**	$7,384,447

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Statement of Cash Flows

Year Ended March 31

	2001	2000
Cash derived from (applied to)		
Operating		
Net income for the year:		
General Fund	$ 71,468	$ 141,587
Forest Renewal Fund	115,279	149,126
Add (deduct): non-cash items		
Depreciation and amortization	425,581	418,086
Gain on sale of capital assets	(8,608)	(15,065)
	603,720	693,734
Change in non-cash operating working capital	(1,553,806)	155,862
	(950,086)	849,596
Financing		
Deferred contributions	274,504	27,149
Obligation for employee future benefits	19,369	19,369
	293,873	46,518
Investing		
Acquisition of capital assets	(346,489)	(471,928)
Proceeds on sale of capital assets	10,682	15,065
	(335,807)	(456,863)
(Decrease) increase in cash	(992,020)	439,251
Cash, beginning of year	5,600,191	5,160,940
Cash, end of year	$ 4,608,171	$ 5,600,191

See accompanying notes to the financial statements.

Notes to the Financial Statements

March 31, 2001

1. Purpose of the organization

The Authority is responsible for forest management in Algonquin Provincial Park. The Authority is a Crown Agency which was established by the Ontario government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is exempt from income taxes under the Income Tax Act.

2. Significant accounting policies

Fund accounting

The General Fund accounts for the Authority's profit generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenue from product and standing timber sales and forest renewal charges are recognized when the wood is delivered. Consulting and other income is recognized as revenue when earned.

Inventories

Inventories are valued on the first in, first out basis at the lower of cost or net realizable value.

Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight-line basis, using rates of 10% per annum for furniture, fixtures, technical equipment, buildings and leasehold improvements, 20% per annum for data processing equipment, and 33 1/3 % per annum for automotive equipment. The cost of bridges and capital roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are depreciated and amortized at the same rates as the assets mentioned above.

3. Forest Renewal Fund

Effective April 1, 1997, the Authority entered into a 20-year agreement with the Ministry of Natural Resources to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act.

The agreement also provided for a transfer of $1,500,000 from unrestricted net assets to the Forest Renewal Fund, which took place during 1998. The Authority is required to maintain, at a minimum, this amount in the Forest Renewal Fund.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 2001

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4. Capital assets

	Cost	Accumulated Depreciation	2001 Net Book Value	2000 Net Book Value
Furniture and fixtures	$ 97,520	$ 65,859	**$ 31,661**	$ 37,586
Data processing equipment	173,584	150,087	**23,497**	33,503
Buildings	38,679	24,323	**14,356**	15,205
Technical equipment	196,287	185,431	**10,856**	14,785
Automotive equipment	267,546	226,674	**40,872**	61,656
Bridges and capital roads	4,575,450	3,177,534	**1,397,916**	1,450,507
Leasehold improvements	38,326	32,472	**5,854**	7,036
Forest renewal assets	621,626	565,696	**55,930**	41,830
	$ 6,009,018	$ 4,428,076	**$ 1,580,942**	$ 1,662,108

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted for public access road maintenance received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2001	2000
Beginning balance	**$ 54,710**	$ 54,710
Add: amount received in the year	**814,080**	380,000
Less: amount recognized as other revenue in the year	**(290,879)**	(380,000)
Ending balance	**$ 577,911**	$ 54,710

6. Deferred contributions related to forest renewal activity

Deferred contributions related to forest renewal activity represent unspent resources externally restricted by the Ministry of Natural Resources for Forest Renewal Fund activities. They consist of funds from Forest Renewal charges billed to customers and grants from the Forestry Futures Fund, received in the current period, that relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2001	2000
Beginning balance	**$ 1,183,206**	$ 1,156,057
Add: amount received in the year	**997,986**	920,972
Less: amount recognized as revenue in the year	**(1,246,683)**	(893,823)
Ending balance	**$ 934,509**	$ 1,183,206

Algonquin Forestry Authority

Notes to the Financial Statements
March 31, 2001

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7. Employee future benefits

The Authority provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) established by the Province of Ontario, which is a multi-employer defined benefit plan providing pension benefits. This plan is accounted for as a defined contribution plan as there is insufficient information available to apply defined benefit plan accounting. The Authority's contributions related to the pension plan for the year were $110,300 (2000 - $ 75,750) and are included in salaries and benefits in the Statement of Operations.

The Authority also provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous serve with the Authority, to a maximum of one half of the employee's annual salary. The total obligation for severance payments vested amounts to $292,294 at year-end (2000 - $272,925).

The cost of other non-pension post-retirement benefits is the responsibility of the Ontario Management Board Secretariat and accordingly is not accrued or included in the Statement of Operations.

8. Change in accounting policy

During the year, the Authority retroactively adopted the new Canadian generally accepted accounting principle which requires the liability for employee future benefits to be accrued. Accordingly, the Authority now accrues termination benefits. In prior years, termination benefits were expensed in the Statement of Operations only when paid.

As a result, the March 31, 2000 figures, presented for comparative purposes, have been restated, from those previously reported, in order to reflect this retroactive change as follows:

	Increase	Decrease
Unrestricted net assets, beginning of year		$ 253,556
Net income		19,369
Obligation for future employee benefits	$ 272,925	
Salaries and benefits	19,369	

9. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately $ 8,700 during the fiscal year (2000 - $9,700).

HYDRO ONE INC.
MANAGEMENT'S REPORT

The accompanying Consolidated Financial Statements of Hydro One Inc. (Hydro One or the Company) are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. Hydro One applies accounting principles appropriate to its circumstances. The significant accounting policies followed by the Company are described in the summary of significant accounting policies contained in Note 2 to the Consolidated Financial Statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Consolidated Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 13, 2001.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Hydro One Board of Directors.

The Consolidated Financial Statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Hydro One Board of Directors. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report, which appears on page 20, outlines the scope of their examination and their opinion.

On March 31, 1999, Ontario Hydro ceased operations. Ontario Hydro's management was responsible for the financial statements of Ontario Hydro for the three months ended March 31, 1999, and year ended December 31, 1998, as set forth in Ontario Hydro's Final Annual Report for the period from January 1, 1998, to March 31, 1999. These Consolidated Financial Statements included the results of the businesses acquired by Hydro One Inc. on April 1, 1999.

As at April 1, 1999, Hydro One became operational under the name Ontario Hydro Services Company Inc. The Company name changed to Hydro One Inc. in May 2000. The Hydro One Board of Directors, through its Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit and Finance Committee of Hydro One met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit and Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

On behalf of Hydro One Inc.'s Management:

Eleanor Clitheroe

Eleanor R. Clitheroe
President and Chief Executive Officer

Malen Ng

Malen S. Ng
Executive Vice President and Chief Financial Officer

HYDRO ONE INC.
AUDITORS' REPORT

To the Shareholder of Hydro One Inc.:

We have audited the Consolidated Balance Sheets of Hydro One Inc., (the Company) as at December 31, 2000 and December 31, 1999, and the Consolidated Statements of Operations, Shareholder's Equity and Cash Flows of the Company for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian and United States generally accepted auditing standards for 2000 and Canadian generally accepted auditing standards for 1999 and 1998. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and December 31, 1999, the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000, in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants
Toronto, Canada

February 26, 2001

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Revenues			
Transmission *(Note 17)*	1,260	1,237	1,178
Distribution (including retail) *(Note 17)*	1,703	1,793	1,729
Other	32	95	141
	2,995	3,125	3,048
Costs			
Operation, maintenance and administration *(Note 5)*	856	863	723
Purchased power *(Note 17)*	866	939	1,165
Depreciation and amortization *(Note 6)*	348	342	300
Transitional cost adjustment *(Note 7)*	-	55	-
Provincial debt guarantee fee *(Note 17)*	-	8	31
Deferred pension asset *(Note 13)*	-	-	(204)
	2,070	2,207	2,015
Other income			
Gain on sale of investment *(Note 8)*	-	32	-
Income before financing charges and provision for payments in lieu of corporate income taxes	925	950	1,033
Financing charges *(Notes 9 and 17)*	340	381	559
Income before provision for payments in lieu of corporate income taxes	585	569	474
Provision for payments in lieu of corporate income taxes *(Notes 10 and 17)*	207	194	-
Net income	378	375	474

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS

December 31 (Canadian dollars in millions)	2000	1999
Assets		
Current assets		
Cash and cash equivalents	-	468
Accounts receivable (net of allowance for doubtful accounts - $10 million; 1999 - $9 million)	511	536
Materials and supplies	65	81
	576	1,085
Fixed assets *(Note 11)*		
Fixed assets in service	12,375	11,907
Less: accumulated depreciation	4,108	3,848
	8,267	8,059
Construction in progress	252	300
	8,519	8,359
Other long-term assets		
Regulatory assets *(Note 12)*	352	383
Deferred pension asset *(Note 13)*	452	241
Long-term accounts receivable and other assets	78	20
Goodwill (net of amortization - $nil million) *(Note 4)*	6	-
Deferred debt costs	14	2
	902	646
Total assets	9,997	10,090

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED BALANCE SHEETS (continued)

December 31 (Canadian dollars in millions)	2000	1999
Liabilities		
Current liabilities		
Bank indebtedness	24	-
Accounts payable and accrued charges	357	403
Accrued interest	64	72
Short-term notes payable *(Note 14)*	130	-
Long-term debt payable within one year *(Note 14)*	474	1,399
	1,049	1,874
Long-term debt *(Note 14)*	3,972	3,446
Other long-term liabilities		
Employee future benefits other than pension *(Note 13)*	509	496
Regulatory liability *(Note 12)*	452	241
Long-term accounts payable and accrued charges	15	9
	976	746
Total liabilities	5,997	6,066
Contingencies and commitments *(Notes 3, 19 and 20)*		
Shareholder's equity *(Notes 3 and 16)*		
Preferred shares (authorized: unlimited; issued: 12,920,000)	323	-
Common share (authorized: unlimited; issued: 100,000)	3,436	-
Shares to be issued	-	3,759
Retained earnings	241	265
Total shareholder's equity	4,000	4,024
Total liabilities and shareholder's equity	9,997	10,090

On behalf of the Board:

Eleanor Clitheroe

Sir Graham Day
Chair of the Board of Directors

Eleanor R. Clitheroe
President and Chief Executive Officer

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Net assets of Acquired Businesses *(Note 3)*			
Balance, January 1	-	2,431	2,065
Net income (to March 31, 1999)	-	110	474
Net refund on annexations by municipalities	-	(25)	-
Pre-acquisition adjustments	-	1,243	-
Purchase of Acquired Businesses	-	(3,759)	-
Accounting change – employee future benefits other than pension *(Note 13)*	-	-	(108)
Balance, December 31	-	-	2,431
Shares to be issued (represented by promissory note) *(Note 3)*			
Balance, January 1	3,759	-	-
Issuance of note on purchase of Acquired Businesses	-	3,759	-
Cancellation of note on issuance of common and preferred shares	(3,759)	-	-
Balance, December 31	-	3,759	-
Common and preferred shares *(Note 16)*			
Balance, January 1	-	-	-
Issuance of 10 common shares in 1998 for nominal consideration	-	-	-
Issuance of 12,920,000 preferred shares in exchange for promissory note	323	-	-
Issuance of 99,990 common shares in exchange for promissory note	3,436	-	-
Balance, December 31	3,759	-	-
Retained earnings			
Balance, January 1	265	-	-
Net income (from April 1, 1999)	378	265	-
Dividends *(Note 16)*	(402)	-	-
Balance, December 31	241	265	-

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Operating activities			
Net income	378	375	474
Adjustments for non-cash items:			
Depreciation and amortization (net of removal costs)	324	324	276
Transitional cost adjustment	-	55	-
Gain on sale of investment	-	(32)	-
Deferred pension asset	-	-	(204)
	702	722	546
Changes in non-cash balances related to operations *(Note 18)*	11	129	(26)
Net cash generated from operations	713	851	520
Financing activities			
Debt for long-term financing:			
Issued	1,000	194	1,130
Retired	(1,399)	(362)	(1,228)
Debt for short-term financing	130	-	-
Deferred debt costs	(12)	(2)	-
Dividends paid	(398)	-	-
Net cash used in financing activities	(679)	(170)	(98)
Investing activities			
Fixed assets	(434)	(540)	(383)
Acquisition of municipal electricity utilities	(23)	-	-
Proceeds on disposal of fixed assets and investments	-	245	-
Other assets	(69)	43	-
Net cash used in investing activities	(526)	(252)	(383)
Net change in cash and cash equivalents	(492)	429	39
Cash and cash equivalents, January 1	468	39	-
Cash and cash equivalents, December 31 *(Note 18)*	(24)	468	39

See accompanying notes to Consolidated Financial Statements.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. INCORPORATION AND COMMENCEMENT OF OPERATIONS

Hydro One Inc. (Hydro One or the Company) was incorporated on December 1, 1998, under the *Business Corporations Act* (Ontario) and issued 10 common shares for nominal consideration, and is wholly-owned by the Province of Ontario (the Province). As part of the reorganization of Ontario Hydro under the *Electricity Act, 1998*, and the related restructuring of the electricity industry in Ontario, Hydro One acquired and assumed certain assets, liabilities, rights and obligations of the electricity transmission, distribution and energy services businesses of Ontario Hydro (the Acquired Businesses) on April 1, 1999, and commenced operations on that date. In exchange, the Company issued debt and a promissory note, which was assumed by the Province in connection with the capitalization of the Company on March 31, 2000 (see Notes 3 and 16).

The principal business of Hydro One is the transmission and distribution of electricity to customers within Ontario and the business is primarily regulated by the Ontario Energy Board (OEB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries: Hydro One Networks Inc., Ontario Hydro Energy Inc., Hydro One Remote Communities Inc., Hydro One Markets Inc., Hydro One Telecom Inc., Hydro One Network Services Inc., Ontario Hydro Delivery Services Company Inc. and Ontario Hydro International Inc.

Basis of accounting

These Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) and conform with accounting principles generally accepted in the United States (U.S. GAAP), except as disclosed in Note 23.

The results of operations and cash flows presented in these Consolidated Financial Statements for periods prior to April 1, 1999, have been recorded in Hydro One's Consolidated Financial Statements on the same basis and in the same periods as originally recorded by Ontario Hydro. These financial statements, prior to April 1, 1999, have been prepared primarily through specific identification of assets, liabilities, revenues and expenses relating to such businesses, but also through an allocation of certain common financial statement accounts and items of Ontario Hydro.

Rate-setting

The *Ontario Energy Board Act, 1998* gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity consumer, and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. Prior to April 1, 1999, Ontario Hydro was governed by the *Power Corporation Act*, which provided it with broad powers to generate, supply and deliver electricity throughout Ontario.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The transitional rate orders issued by the OEB effective April 1, 1999, approved the transmission and distribution revenue requirements for 1999 and 2000, which were designed to permit these regulated businesses to recover their allowed costs and to earn a forecasted annual rate of return of 9.35% for 1999 on average common equity deemed, for regulatory purposes, to be allocated to such businesses. For 2000, the OEB adjusted the rate of return to 9.88% to reflect higher forecasted interest rates for that year. Although Hydro One did not commence operations as a stand-alone enterprise separate from Ontario Hydro until April 1, 1999, the transitional rate orders formed the basis of revenue recognition for the three months ended March 31, 1999, consistent with a draft revenue allocation agreement among the successor corporations of Ontario Hydro.

In its capacity to approve or fix rates, the OEB has specified the following regulatory treatments that have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

I. Employee future benefits other than pension are recorded using the accrual method as required by Canadian GAAP. The OEB has allowed for the recovery of past service costs, which arose on the adoption of the accrual method, in the revenue requirement on a straight-line basis over a 10-year period. As a result, Hydro One recorded a regulatory asset in the original amount of $419 million to reflect this regulatory treatment;

II. Expenses incurred to align systems and practices with the requirements of the future competitive electricity market in Ontario (Market Ready costs) have been deferred in accordance with the initial criteria set out in the OEB's *Electricity Distribution Rate Handbook* and the *Accounting Procedures Handbook for Electric Distribution Utilities*. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP. Hydro One intends to apply for the recovery of these costs once the guidelines and timetable for this process have been established by the OEB;

III. In accordance with the Company's interpretation of the transitional rate orders approved by the OEB, pension costs are recorded in the results of operations when employer contributions are paid to the pension fund rather than on the accrual basis. As a result, a regulatory liability has been recorded in an amount equal to the deferred pension asset; and

IV. The Company provides for payments in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method as directed by the OEB.

Revenue recognition and allocation

Wholesale customers in Ontario have traditionally been billed on a bundled basis, under which the billed amount aggregated the generation and transmission charges for the provision of electricity. Retail rates are also essentially bundled and set similarly to wholesale rates. Until the creation of competitive wholesale and retail electricity markets (Open Access), electricity customers will continue to pay bundled rates for electricity. Revenues are being collected, pooled and allocated to the successor corporations of Ontario Hydro consistent with a draft revenue allocation agreement among such corporations. This draft agreement incorporates the revenue requirements approved in the transitional rate orders issued by the OEB. Prior to 1999, transmission revenue was allocated based on an internal mechanism used by Ontario Hydro. The annual transmission revenue requirement was determined primarily based on an estimate of the planned cost components and a specified rate of return on assets.

Distribution (including retail) revenue represents actual, rather than allocated, revenues attributable to the sale and delivery of electricity, and is recognized as power is delivered to customers. Because customer meters are generally read on a quarterly basis, it is necessary to estimate the monthly revenue for the period based on wholesale power purchases. These estimates are reconciled to actual customer consumption on a regular basis.

Distribution revenue also includes an amount relating to rate protection for rural residential customers. The rural rate protection program that had been in effect since 1982 was repealed on April 1, 1999 and replaced with a comparable regime for rural rate protection under the *Ontario Energy Board Act, 1998*. Under this Act, in approving electricity rates for a distributor that delivers electricity to rural residential consumers, the OEB is required to provide rate protection for prescribed classes of consumers by reducing the electricity rates that would otherwise apply so that the weighted-average rural bill does not exceed the weighted-average municipal bill by more than 15%.

Corporate income and capital taxes

Prior to April 1, 1999, the Company's businesses were effectively carried out as business units of Ontario Hydro, which were exempt from corporate income and capital taxes.

Under the *Electricity Act, 1998*, Hydro One is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation (OEFC), commencing April 1, 1999. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario) as modified by the *Electricity Act, 1998*, and related regulations.

The Company provides for payments in lieu of corporate income taxes relating to its regulated businesses using the taxes payable method as directed by the OEB. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of Hydro One at that time.

Materials and supplies

Materials and supplies represent spare parts and construction material held for internal construction and maintenance of fixed assets. These assets are carried at the lower of average cost and replacement cost.

Fixed assets

Fixed assets are capitalized at cost, which comprises materials, labour, engineering costs, overheads, depreciation on service equipment and the approved allowance for funds used during construction applicable to capital construction activities within regulated businesses or interest applicable to capital construction activities within unregulated businesses.

Fixed assets in service consist of transmission, distribution, communication, and administration and service assets. Fixed assets also include future use assets such as land and capitalized development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, such as transformers, circuit breakers and switches.

Distribution

Distribution assets comprise assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include the microwave radio system, optical ground wire, towers, telephone equipment and associated buildings.

Administration and service

Administration and service assets include administrative buildings, major computer systems, personal computers, transport and work equipment, tools, vehicles and minor fixed assets.

Construction in progress

Financing costs are capitalized on fixed assets under construction within regulated businesses based on the regulator's approved allowance for funds used during construction (2000 – 8.0%; 1999 – 7.9%; 1998 – 9.4%). For non-regulated assets under construction, interest is capitalized at rates that approximate the average cost of all long-term funds borrowed (2000 – 8.0%; 1999 – 7.9%; 1998 – 9.4%).

Impairment of fixed assets

In the event that facts and circumstances indicate that a fixed asset may be impaired, an evaluation of recoverability is performed. For purposes of such an evaluation, the estimated future undiscounted cash flows associated with the fixed asset are compared to the asset's carrying amount to determine if a write-down is required.

Depreciation

The capital costs of fixed assets are depreciated on a straight-line basis, except for transport and work equipment and personal computers, which are depreciated on a declining balance basis.

Depreciation rates for the various classes of assets are based on their estimated service lives. The average estimated service lives and service life ranges of fixed assets are:

	Estimated service lives (years)	
	Range	Average
Transmission	12 – 100	51
Distribution	15 – 55	41
Communication	7 – 40	22
Administration and service	5 – 50	38

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In accordance with group depreciation practices, the original cost of normal fixed asset retirements are charged to accumulated depreciation, with no gain or loss reflected in results of operations. Gains and losses on sales of fixed assets and losses on premature retirements are charged to results of operations as adjustments to depreciation expense. Depreciation expense also includes the costs incurred to remove fixed assets.

The estimated service lives of fixed assets are subject to periodic review. Any changes arising from such a review are implemented on a remaining service life basis from the year the changes can first be reflected in rates.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, group life insurance, health care, workers' compensation and long-term disability.

In accordance with the Company's interpretation of the transitional rate orders approved by the OEB, pension costs are recorded when employer contributions are paid to the pension fund. As a result, a regulatory liability is recorded in an amount equal to the deferred pension asset. The deferred pension asset arises as a result of the cumulative difference between employer contributions and pension costs. Pension plan assets are valued using fair values.

Employee future benefits are recorded on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments and actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered.

Employee future benefit costs are attributed to labour and charged to operations or capitalized as part of the cost of fixed assets accordingly.

Goodwill

Goodwill represents the cost of acquired municipal electricity utilities in excess of fair value of the net identifiable assets purchased and is amortized on a straight-line basis over 20 years. The recovery of goodwill, which is reported net of accumulated amortization, is evaluated on the basis of estimated future undiscounted cash flows as well as other factors.

Deferred debt costs

Deferred debt costs include the unamortized amounts of debt discounts or premiums arising from the issuance of debt and other costs. Deferred debt costs are amortized over the period to maturity of the debt on an annuity basis.

Foreign currency translation

Current monetary assets and liabilities in foreign currencies are translated to Canadian currency at year-end rates of exchange and the resulting exchange gains or losses are credited or charged to results of operations.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the year. Actual results could differ from the estimates.

3. REORGANIZATION OF ONTARIO HYDRO

On March 31, 2000, the Company issued to the Province 12,920,000 5.5% cumulative preferred shares and 99,990 common shares. As consideration, the Province assumed Hydro One's obligations including accrued interest from April 1, 1999 under a promissory note and, in connection with the assumption of the Company's obligations by the Province, OEFC released Hydro One, effective as of March 31, 2000, from its obligations under the promissory note.

The capitalized value of the Company as at April 1, 1999 was determined as follows:

(Canadian dollars in millions)

Excess of assets over liabilities of the Acquired Businesses, March 31, 1999		2,516
Adjustments:		
Elimination of allocated long-term debt from Ontario Hydro	5,382	
Elimination of allocated short-term notes from Ontario Hydro	533	
Elimination of allocated accrued interest	143	
Elimination of allocated deferred debt costs	(228)	
Debt issued effective April 1, 1999	(4,845)	985
Regulatory asset - employee future benefits other than pension *(Note 12)*		419
Adjustment to deferred pension asset		164
Regulatory liability - deferred pension		(386)
Other net adjustments		61
		3,759
Represented by:		
Shares to be issued (represented by promissory note)		3,759

The purchase of the Acquired Businesses from the related party, OEFC, was recorded at the exchange amount of $8.6 billion, which approximated the book values of the assets acquired and liabilities assumed on April 1, 1999, and, in the current regulatory environment, approximated their fair value.

The actual net amount of assets and liabilities acquired on April 1, 1999 was less than estimates by $122 million. This excess of equity and liabilities over assets has been recorded as an account receivable, pending the outcome of the rate-setting process relating to pension costs and contributions in aid of construction.

The Consolidated Financial Statements include a deferred pension asset and an offsetting regulatory liability. The Company's interpretation of the transitional rate orders issued by the OEB for Hydro One effective April 1, 1999, is that the revenue requirement is based on pension costs being recorded in operations when employer contributions are paid to the pension fund. As a rate-regulated entity, Hydro One must account for pension costs on this basis for the regulated portions of the business. The OEB has indicated that the rate treatment of pension costs could be re-examined at a future rate hearing. In the event that the OEB determines that the pension costs should be included in the revenue requirement on an accrual basis, Hydro One would not be required to record a regulatory liability.

In addition, contributions in aid of construction are recorded as a nil amount, on a net basis, within fixed assets (see Note 11). On January 18, 2000, the OEB decided that contributions in aid of construction collected by municipal electricity utilities prior to January 1, 2000, in accordance with the previous regulatory environment, can continue to be recovered through the revenue requirement. If the OEB confirms that Hydro One can adopt the same regulatory accounting treatment related to its distribution assets, and this overall industry treatment is acceptable to the Province, then Hydro One would be required to record amounts for contributions in aid of construction, as approved by the regulator.

On January 19, 2001, Hydro One submitted an amended rate application to establish distribution rates for the period commencing with Open Access. The revenue requirement in the current application is based on employer contributions forming the basis for allowable pension costs. Contributions in aid of construction have been reflected in the cost of service submitted in the Company's application.

It has been proposed that the $122 million account receivable be adjusted through shareholder's equity. If it is determined that the regulatory liability should not be recorded or that amounts for contributions in aid of construction should be recorded, a post-acquisition adjustment would be made. Hydro One anticipates that the result of the post-acquisition adjustment would be to increase debt and shareholder's equity in a manner consistent with the original capital structure. At this time, the outcome of the rate-setting process, and the impact on debt, equity and other net assets, cannot be determined.

4. ACQUISITIONS OF MUNICIPAL ELECTRICITY UTILITIES

Hydro One has entered into numerous agreements to acquire the outstanding shares or assets of municipal electricity utilities. The Company accounts for such acquisitions using the purchase method with the acquired companies' results of operations being included in the Consolidated Statement of Operations from the date of acquisition. The purchase of each municipal electricity utility must be approved by the OEB prior to closing.

During 2000, Hydro One acquired 16 small municipal electricity utilities for cash consideration of approximately $23 million. Net identifiable assets acquired amounted to approximately $17 million, representing assets of $20 million and liabilities of $3 million. Based on the allocation of the purchase price, the transactions resulted in goodwill of $6 million.

In addition, Hydro One has entered into agreements for the purchase of 71 other municipal electricity utilities, which are expected to close in 2001. The aggregate cost of these acquisitions will be approximately $500 million. These acquisitions include the purchase of Brampton Hydro Corporation for cash consideration of approximately $260 million. Deposits in the amount of $57 million have been made in respect of these acquisitions.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. OPERATION, MAINTENANCE AND ADMINISTRATION

In November 1999, Hydro One approved a staff reduction program intended to reduce cost levels. Although most of the costs associated with the staff reduction program were funded from the pension plan surplus, the Company recorded a provision in 1999 in the amount of $60 million primarily related to cash incentives and supplementary pension benefits that could not be charged to the pension surplus. The provision also included the estimated cost of limited targeted buyouts and involuntary severance. The staff reduction program was substantially completed during 2000 and costs in the amount of $53 million were charged to the provision. In addition, the Company determined that $5 million of the provision related to supplementary pension benefits and involuntary severance would not be used and reversed this amount as a credit to the results of operations.

In 1999, Hydro One re-evaluated the need for some provisions previously recognized by Ontario Hydro and assumed by the Company on April 1, 1999. A remaining provision of $14 million associated with an involuntary staff reduction program originally recognized by Ontario Hydro in 1997 was reversed as a credit to the results of operations in 1999. In addition, due to a change in market and other business conditions, a real estate provision originally recorded by Ontario Hydro in 1993 in the amount of $22 million was reversed as a credit to the results of operations in 1999.

6. DEPRECIATION AND AMORTIZATION

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Depreciation of fixed assets in service	282	272	276
Fixed asset removal costs	24	18	24
Amortization of regulatory assets	42	52	-
	348	342	300

7. TRANSITIONAL COST ADJUSTMENT

The transitional cost adjustment represents the difference between allowed costs specified in the OEB transitional rate orders, and costs incurred by Ontario Hydro during the first three months in 1999 that were allowed under the *Power Corporation Act*. Costs included in Hydro One's revenue requirement were higher due to payments in lieu of corporate taxes and an amount for amortization relating to the recovery of employee future benefits other than pension costs. These additional costs were partially offset by reduced financing charges resulting from lower debt balances that reflect the new capital structure of the Company and lower interest rates as well as the elimination of the provincial debt guarantee fee levied by the Province. The transitional cost adjustment was a non-recurring charge.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following summarizes the components of the transitional cost adjustment for the three months ended March 31, 1999:

(Canadian dollars in millions)	1999
Depreciation and amortization	10
Payments in lieu of capital tax	6
Payments in lieu of corporate income taxes	87
Provincial debt guarantee fee	(8)
Financing charges	(40)
	55

8. ONTARIO HYDRO INTERNATIONAL INC.

On September 15, 1999, Hydro One's subsidiary, Ontario Hydro International Inc., sold its 25% equity interest in Ontario Quinta A.V.V. (Ontario Quinta), resulting in a gain before income taxes of $32 million. At the time of the sale, Ontario Quinta held a 60% interest in Luz del Sur S.A.A., an electricity distribution company serving southern Lima, Peru, and a 64% interest in Tecsur S.A.A., a utility maintenance and construction company also operating in Peru.

Prior to the sale, the results of operations, and the assets and liabilities of Ontario Quinta had been proportionately consolidated within Hydro One's financial statements.

The following summarizes the effects on the results of operations and financial position of using proportionate consolidation to account for the Ontario Quinta investment for the period prior to the sale. The effect on net income was equal to that which would have been obtained under the equity method (see Note 23).

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Revenues	-	69	116
Operation, maintenance and administration	-	24	39
Purchased power	-	37	65
Depreciation and amortization	-	4	6
Financing charges	-	-	(3)
Net income	-	4	9

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. FINANCING CHARGES

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Interest on short-term notes payable	2	-	30
Interest on long-term debt payable	377	411	539
Foreign exchange losses	-	-	6
Less: Interest charged to construction in progress	(22)	(18)	(10)
Interest earned on investments	(17)	(12)	(6)
	340	381	559

For the purpose of preparing historical financial statements, the financing charges of Ontario Hydro were notionally allocated to Hydro One and the other successor corporations for periods prior to April 1, 1999.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. CORPORATE INCOME TAXES

The provision for payments in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. A reconciliation between the statutory and effective tax rates is provided as follows:

Year ended December 31 (Canadian dollars in millions)	2000	1999
Income before provision for PILs	585	569
PILs included in the transitional cost adjustment *(Note 7)*	-	87
Less: Income before provision for PILs for the period January 1 to March 31, 1999	-	(197)
Adjusted income before provision for PILs	585	459
Federal and Ontario statutory income tax rate	43.95%	44.62%
Provision for PILs at statutory rate	257	205
Increase (decrease) resulting from:		
The application of the income taxes payable method to the regulated businesses:		
Net temporary differences:		
Capital cost allowance in excess of depreciation and amortization	(44)	(50)
Charge for staff reduction program (lower than) in excess of cash payments	(23)	27
Interest capitalized for accounting purposes but deducted for tax purposes	(10)	(7)
Employee future benefits other than pension expense (lower than) in excess of cash payments	(4)	3
Other	8	-
Net temporary differences	(73)	(27)
Permanent differences:		
Large corporations tax	15	11
Other	8	5
Net permanent differences	23	16
Provision for PILs	207	194
Effective income tax rate	35.38%	42.27%

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2000, future income tax liabilities of $80 million (1999 - $27 million), based on substantively enacted income tax rates, have not been recorded. Hydro One was not subject to PILs prior to April 1, 1999.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. FIXED ASSETS

December 31 (Canadian dollars in millions)	Fixed assets in service	Accumulated depreciation	Construction in progress	Total
2000				
Transmission	7,968	2,493	144	5,619
Distribution	3,441	1,097	85	2,429
Communication	383	194	5	194
Administration and service	583	324	18	277
	12,375	4,108	252	8,519
1999				
Transmission	7,652	2,234	248	5,666
Distribution	3,350	1,132	47	2,265
Communication	323	178	1	146
Administration and service	582	304	4	282
	11,907	3,848	300	8,359

Fixed assets include contributions in aid of construction of $49 million for transmission (1999 – $50 million) and $215 million for distribution (1999 – $194 million). Contributions in aid of construction represent fixed assets owned by the Company. Since Hydro One did not pay for these assets, they have been recorded in the fixed asset accounts as nil, on a net basis.

Financing costs are capitalized on fixed assets under construction, including allowance for funds used during construction on regulated assets and interest on unregulated assets, and were $22 million in 2000 (1999 – $18 million).

During 1999, $75 million of distribution assets were transferred to municipal electricity utilities. Pursuant to certain provisions of the *Power Corporation Act*, some municipalities in Ontario were permitted to expand the service territories of their respective municipal electricity utilities to include areas that were served by Ontario Hydro. These expansions involved the transfer of distribution assets, liabilities and customers from Ontario Hydro to the relevant municipal electricity utility at a prescribed price. The price payable for the transferred assets was prescribed by the *Power Corporation Act* as being equal to the original cost of the assets less the sum of the accumulated net retail equity of $25 million and the accumulated depreciation associated with those assets as recorded in Ontario Hydro's books. The ability of municipalities to exercise this statutory expansion right ceased as of April 1, 1999.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. REGULATORY ASSETS AND LIABILITY

Regulatory assets and liabilities arise as a result of the rate-making process. As described in Note 2, Hydro One has recorded the following regulatory assets and liability:

December 31 (Canadian dollars in millions)	2000	1999
Regulatory assets:		
Employee future benefits other than pension	335	377
Market Ready	17	6
Total regulatory assets	352	383
Regulatory liability:		
Deferred pension	452	241
Total regulatory liability	452	241

Hydro One intends to apply for recovery of the Market Ready costs, which include $25 million of related capitalized systems costs, once the guidelines and timetable for this process have been established by the OEB.

13. EMPLOYEE FUTURE BENEFITS

Pension

Hydro One established a contributory, defined benefit pension plan covering all regular employees of Hydro One and its subsidiaries on January 1, 2000. Until that date, employees and pensioners continued to participate in the Ontario Electricity Financial Corporation Pension Plan (OEFC Pension Plan), formerly the Ontario Hydro Pension and Insurance Plan. The pension information presented in the Consolidated Financial Statements for the period commencing on April 1, 1999 includes Hydro One's proportionate share of the OEFC Pension Plan assets and liabilities.

Subject to approval by the Financial Services Commission of Ontario, the OEFC Pension Plan is expected to transfer assets and liabilities to the successor plans, including the pension plan of Hydro One, in 2001.

The provisions of the *Electricity Act, 1998*, allow Hydro One to reduce employer contributions to the pension plan to the extent permitted under the *Pension Benefits Act*, effective April 1, 1998. As a result, the deferred pension asset was increased by $204 million with a corresponding credit to 1998 operations.

Effective January 1, 2000, Hydro One adopted the Canadian Institute of Chartered Accountants' (CICA) recommendations related to *Employee Future Benefits*. The rate used to discount future benefits changed from management's best estimate to a market-based interest rate. Hydro One has applied the recommendations retroactively but has not restated individual comparative periods. The cumulative effect of this adoption was a $211 million increase to the deferred pension asset and the regulatory liability.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Employee Future Benefits other than Pension

In 1998, the rate used to discount future benefits was changed from management's best estimate to a market-based interest rate. The cumulative effect of this change was a $108 million increase in liabilities with a corresponding reduction in shareholder's equity.

Year ended December 31 (Canadian dollars in millions)	Pension		Employee Future Benefits other than Pension	
	2000	**1999**	**2000**	**1999**
Change in accrued benefit obligation				
Accrued benefit obligation, January 1, as previously stated	3,690	2,221	434	350
Adjustment related to adoption of new standard[1]	(230)	-	-	-
Accrued benefit obligation, January 1, as adjusted	3,460	2,221	434	350
Past service costs from plan amendments	-	-	14	-
Current service cost	55	75	15	16
Interest cost	246	215	35	29
Benefits paid	(199)	(168)	(39)	(29)
Net actuarial loss (gain)	242	(26)	85	(108)
Staff reduction program	-	234	3	10
Allocation adjustment[2]	-	1,139	-	166
Accrued benefit obligation, December 31	3,804	3,690	547	434
Change in plan assets				
Fair value of plan assets, January 1	4,296	2,474	-	-
Actual return on plan assets	301	519	-	-
Employer contributions	-	-	-	-
Employees' contributions	16	17	-	-
Benefits paid	(199)	(168)	-	-
Administrative expenses	(7)	(7)	-	-
Allocation adjustment	-	1,461	-	-
Fair value of plan assets, December 31	4,407	4,296	-	-
Funded status				
Funded excess (unfunded benefit obligation)	603	606	(547)	(434)
Unamortized net actuarial losses (gains)	270	(365)	-	(98)
Unamortized past service costs	-	-	11	-
Deferred benefit asset (accrued benefit liability)	873	241	(536)	(532)
Valuation allowance[3]	(421)	-	-	-
Deferred pension asset, net of valuation allowance (accrued benefit liability)	452	241	(536)	(532)
Less: current portion	-	-	27	36
Deferred pension asset, net of valuation allowance (long-term liability)	452	241	(509)	(496)

[1] Includes past service costs from plan amendments of $63 million recognized on adoption of new standard.

[2] Effective April 1, 1999, employee future benefits have been based on the actual number of Hydro One employees and pensioners. Prior to April 1 1999 employee future benefits were based on a proportionate share of Ontario Hydro's payroll.

[3] The valuation allowance reduces the deferred pension asset to the maximum future benefit Hydro One expects to realize from the plan surplus.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Pension			Employee Future Benefits other than Pension		
Year ended December 31 (Canadian dollars in millions)	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Components of net periodic benefit cost						
Current service cost, net of employee contributions	39	58	35	15	16	14
Interest cost	246	215	148	35	29	20
Expected return on plan assets	(316)	(275)	(246)	-	-	-
Amortization of net actuarial (gains) losses	-	(19)	(50)	(2)	7	2
Amortization of past service costs	-	-	24	1	-	2
Amortization of transitional asset	-	-	(8)	-	-	-
Staff reduction program	-	165	-	(4)	-	-
Adjustment for plan surplus ownership	-	-	102	-	-	-
Change in valuation allowance	31	-	-	-	-	-
Adjustment due to transitional rate orders *(Note 2)*	-	(141)	-	-	-	-
Net periodic benefit cost	-	3	5	45	52	38
Capitalized as part of the cost of fixed assets	-	1	1	21	22	7
Charged to operations	-	2	4	24	30	31
Effect of 1% increase in health care cost trends on:						
Accrued benefit obligation, December 31	-	-	-	54	35	37
Net periodic benefit cost	-	-	-	5	4	3
Effect of 1% decrease in health care cost trends on:						
Accrued benefit obligation, December 31	-	-	-	(44)	(29)	(29)
Net periodic benefit cost	-	-	-	(4)	(3)	(3)
Significant assumptions						
Weighted-average discount rate	6.75%	6.50%	6.00%	6.88%	7.38%	5.91%
Rate of compensation scale escalation	3.25%	3.50%	3.50%	3.25%	3.50%	3.50%
Rate of return on plan assets	7.75%	7.25%	9.00%	-	-	-
Rate of cost of living increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Average remaining service life of employees (years)	14	11	12	14	11	12
Rate of increase in long-term medical costs[1]	-	-	-	4.50%	4.50%	4.50%
Rate of increase in dental costs	-	-	-	3.50%	3.50%	3.50%

[1] 9.00% grading down to 4.50% after five years (1999 – 7.20% grading down to 4.50% after three years).

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. DEBT

December 31 (Canadian dollars in millions)	2000	1999
Short-term notes payable	130	-
Long-term debt		
Notes payable to OEFC	3,446	4,845
6.94% debentures due 2005	200	-
7.15% debentures due 2010	400	-
7.35% debentures due 2030	400	-
	4,446	4,845
Less: long-term debt payable within one year	474	1,399
Long-term debt	3,972	3,446

Short-term debt represents promissory notes issued pursuant to the Company's commercial paper program. The notes are denominated in Canadian dollars with varying maturities not exceeding 365 days and with a weighted-average interest rate of 5.75%.

The long-term debt is unsecured and denominated in Canadian dollars. Such debt is summarized by the number of years to maturity in the following table:

Years to Maturity	Principal Outstanding on Debentures (Canadian dollars in millions)	Principal Outstanding on Notes Payable to OEFC (Canadian dollars in millions)	Weighted-Average Interest Rate (percent)
1 year	-	474	7.20
2 years	-	443	10.96
3 years	-	651	7.22
4 years	-	682	6.78
5 years	200	307	7.72
	200	2,557	
6 - 10 years	400	889	9.07
Over 10 years	400	-	7.35
	1,000	3,446	8.13

Hydro One has committed and unused revolving credit agreements with a syndicate of banks in the amount of $500 million which matures in 2001 and $250 million which matures in 2005. If used, interest on the lines of credit would apply based on Canadian benchmark rates. These credit agreements support the Company's commercial paper program.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CREDIT RISK

Fair value

The following table presents the carrying amounts and fair values of financial instruments:

December 31 (Canadian dollars in millions)	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	4,446	4,873	4,845	5,175

The fair value of long-term debt is based on year-end quoted market prices for same or similar debt of the same remaining maturities.

The carrying values of cash and cash equivalents, accounts receivable, bank indebtedness, short-term notes payable and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments.

Credit Risk

Financial assets create a risk that a counter-party will fail to discharge an obligation, causing a financial loss. As at December 31, 2000, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers consistent with the draft revenue allocation agreement among the successor corporations. As a result, Hydro One did not earn a significant amount of revenue from any single customer. In addition, the Company has not entered into any derivative financial instruments.

16. SHARE CAPITAL

On March 31, 2000, the Company issued to the Province 12,920,000 5.5% cumulative preferred shares with a redemption value of $25.00 per share, and 99,990 common shares, bringing the total number of outstanding common shares to 100,000. The Company is authorized to issue an unlimited number of preferred and common shares.

The preferred shares are entitled to an annual cumulative dividend of $18 million, which is payable on a quarterly basis. The preferred shares are redeemable at the option of the Province at a price of $25.00 per share plus any accrued and unpaid dividends if the Province sells a number of the Company's common shares which it owns to the public such that the Province's holdings are reduced to less than 50% of the Company's common shares. Hydro One may elect to pay all or part of this redemption price by issuing additional common shares to the Province. If the Province does not exercise its redemption right, the Company would have the ability to adjust the dividend on the preferred shares to produce a yield that is 0.50% less than the then-current dividend market yields for similarly rated preferred shares. The preferred shares do not carry voting rights, except in limited circumstances, and would rank in priority to the common shares upon liquidation.

The common dividends are declared at the sole discretion of the Hydro One Board of Directors, and recommended by management based on results of operations, financial condition, cash requirements and other relevant factors such as industry practice and shareholder expectations.

In accordance with resolutions made by the Board of Directors, in respect of the nine months ended December 31, 1999, $13 million in preferred dividends and $158 million in common dividends were paid to the Province on March 31, 2000. In respect of 2000, preferred dividends in the amount of $18 million and common dividends in the amount of $213 million were declared during the year, for a total of $231 million.

17. RELATED PARTY TRANSACTIONS

Prior to April 1, 1999, Hydro One, Ontario Power Generation Inc. (OPG), the Electrical Safety Authority (ESA) and the Independent Market Operator (IMO) were, in effect, business units of Ontario Hydro. Inter-business unit transactions are not available for 1998 due to the integrated nature of the operations of these entities. Upon the reorganization of Ontario Hydro, OPG, ESA and IMO became related parties of Hydro One because all of these entities are controlled by the Province.

Hydro One receives revenue for transmission services consistent with the draft revenue allocation agreement administered by OPG (see Note 2). Transmission revenue for 2000 includes $1,183 million (1999 - $1,164 million) related to these services.

Hydro One receives a portion of its distribution (including retail) revenue pursuant to the draft revenue allocation agreement administered by OPG that will terminate upon Open Access (see Note 2). Under this agreement, distribution (including retail) revenue for 2000 includes $59 million (1999 - $106 million).

Hydro One receives amounts for rural rate protection from customer revenue collected by the IMO (the Province prior to April 1, 1999) (see Note 2). Distribution (including retail) revenue includes $127 million (1999 - $127 million) related to this program, of which $7 million (1999 - $7 million) was paid to municipal electricity utilities in respect of annexation agreements.

Hydro One purchased power from OPG in the amount of $857 million in 2000 (1999 - $900 million).

Hydro One has several service level agreements with the other successor corporations, primarily OPG. These services are provided or received on a cost recovery basis and include field and engineering, logistics, corporate, telecommunication and information technology services. Revenues for 2000 include $64 million (transmission - $61 million; distribution (including retail) - $3 million) (1999 - $64 million: transmission - $58 million; distribution (including retail) - $6 million) related to the provision of services to the other successor corporations and operation, maintenance and administration costs for 2000 include $18 million (transmission - $15 million; distribution (including retail) - $3 million) (1999 - $47 million: transmission - $32 million; distribution (including retail) - $15 million) related to the purchase of services from the other successor corporations.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at December 31, 2000, long-term debt in the amount of $3,446 million (1999 - $4,845 million) was due to OEFC. Financing charges include interest expense on this debt in the amount of $330 million (1999 - $411 million). Allocated debt for the period prior to April 1, 1999 included bonds and notes payable to the Province as well as to unrelated parties. In respect of the allocated debt, Hydro One paid a debt guarantee fee to the Province. Since commencement of operations, the Province has not guaranteed Hydro One's debt, and accordingly, the provincial debt guarantee fee is no longer incurred.

Provision for payments in lieu of corporate taxes were paid or payable to OEFC and dividends were paid or payable to the Province (see Note 2).

The amounts due to and from related parties as a result of the transactions referred to above are as follows:

December 31 (Canadian dollars in millions)	2000	1999
Accounts receivable	144	144
Accounts payable and accrued charges	(157)	(169)

18. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the purposes of the consolidated statements of cash flows, balance sheet item "bank indebtedness" has been netted against "cash and cash equivalents."

The changes in non-cash balances related to operations consist of the following:

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Accounts receivable decrease (increase)	25	(16)	17
Materials and supplies decrease (increase)	16	(16)	(15)
Accounts payable and accrued charges (decrease) increase	(46)	128	(52)
Accrued interest (decrease) increase	(8)	78	(8)
Long-term accounts payable and accrued charges increase (decrease)	6	(72)	(7)
Employee future benefits other than pension increase	13	36	5
Other	5	(9)	34
	11	129	(26)
Supplementary information:			
Interest paid	384	324	576
Payments in lieu of corporate income taxes	213	169	-

19. CONTINGENCIES

Legal proceedings

As a result of Hydro One's acquisition of certain transmission, distribution and energy services assets, liabilities, rights and obligations of Ontario Hydro, Hydro One has succeeded Ontario Hydro as a party in a number of legal proceedings. In 1995, Torcom Communications Inc. (Torcom) named Ontario Hydro as one of several defendants in a suit seeking damages of $150 million, as well as specific performance of certain agreements and interim injunctive relief. Torcom had sought to purchase certain telecommunication devices belonging to a bankrupt company from the court-appointed receiver in bankruptcy. The devices had been installed on Ontario Hydro property under license to the original owner. Torcom claims that it reached an agreement with Ontario Hydro for the continued placement of the devices on Ontario Hydro property. Torcom alleges Ontario Hydro breached this contract and interfered with its efforts to purchase the devices from the receiver. There has been little activity on the case since 1995, when Ontario Hydro served a demand to particularize the allegations against it. Ontario Hydro did not receive a reply to its demand for particulars and has not yet served a statement of defense. Hydro One believes that there are strong defenses to the plaintiff's claims against Ontario Hydro and that it is unlikely that the outcome of the litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

Hydro One is one of many defendants in a suit in the Superior Court of Justice commenced on October 18, 1995, asserting aboriginal title to certain land within the City of Sarnia. The plaintiff, The Chippewas of Sarnia Band, alleges that the land was not properly surrendered before a Crown Patent was issued in 1853 and therefore subsequent owners who took possession under the Crown Patent do not possess valid title. Hydro One maintains transmission line facilities on portions of the disputed land. Hydro One cannot estimate the costs that might result from an adverse decision. On April 30, 1999, summary judgement was granted, dismissing the action against Ontario Hydro and certain of the defendants. On May 27, 1999, the plaintiff appealed the summary judgement order to the Court of Appeal for Ontario. Further, several defendants have also appealed the summary judgement order and others, including Hydro One, have filed cross-appeals. The appeals were argued in June 2000. The Court of Appeal decision rendered December 21, 2000 dismissed the plaintiffs' appeal and granted the appeals of the other parties. The plaintiff has given notice they are seeking leave to appeal to the Supreme Court of Canada and have asked the Court for a time extension to file their appeal materials. Given the nature and issues of this case, it is likely that leave to appeal will be granted. Hydro One believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

On March 29, 1999, the Whitesand First Nation Band commenced an action in the Ontario Court (General Division), naming as defendants the Province, the Attorney General of Canada, Ontario Hydro, OEFC, OPG and the Company. A notice of intent to defend was filed on behalf of Hydro One. The action seeks declaratory relief, injunctive relief and damages in an unspecified amount. The Whitesand Band alleges that since at least the first half of the twentieth century, Ontario Hydro has erected dams, generating stations and other facilities within or affecting the band's traditional lands and that such facilities have caused damage to band members and the lands, including substantial flooding and erosion. The Whitesand Band also claims treaty rights to a share of the profits arising from the activities of these Ontario Hydro facilities, an entitlement to increases in annuity payments established by treaty and compensation for costs incurred in the course of prior negotiations of band grievances with Ontario Hydro. The Whitesand Band asserts multiple causes of action, including trespass, breach of fiduciary duty, nuisance and negligence. Hydro One believes that it is unlikely that the outcome of this litigation will have a material adverse effect on its business, results of operations, financial position or prospects.

Transfer of Assets

On April 1, 1999, in connection with the acquisition of its operations, Hydro One acquired and assumed assets, liabilities, rights and obligations of Ontario Hydro's electricity transmission, distribution and energy services businesses, except for certain transmission, distribution and other assets located on lands held for bands or bodies of Indians under the *Indian Act* (Canada). Transfer of title to these assets did not occur because authorizations originally granted by the Minister of Indian Affairs and Northern Development (Canada) for the construction and operation of these assets could not be transferred without the consent of the Minister and the relevant Indian bands or bodies or, in several cases, because the authorizations had either expired or had never been properly issued. Hydro One manages these assets, which are currently owned by OEFC.

Hydro One has commenced negotiations with the relevant Indian bands and bodies to obtain the authorizations and consents necessary to complete the transfer of these transmission, distribution and other assets. Hydro One cannot predict the aggregate amount that it may have to pay to obtain the required authorizations and consents. Hydro One expects to pay more than $850,000 per year, which was the amount previously paid to these Indian bands and bodies by Ontario Hydro and which is the total amount of allowed costs in the transitional rate orders. If after taking all reasonable steps, Hydro One cannot otherwise obtain the authorizations and consents from the Indian bands and bodies, OEFC will continue to hold these assets for an indefinite period of time. Alternatively, Hydro One may have to relocate these assets from the Indian lands to other locations at a cost that could be substantial, or, in a limited number of cases, to abandon a line and replace it with diesel generation facilities. In such cases, Hydro One would apply to the OEB to recover these costs in future rate orders.

Environment

Hydro One is subject to extensive Canadian federal, provincial and local regulation with respect to environmental and other health and safety matters. Governmental authorities regulate current operating facilities and exercise continuing jurisdiction over facility modifications. Hydro One is subject to an Administrative Order issued against Ontario Hydro by the Ontario Ministry of the Environment on September 2, 1997. The order requires that power generating facilities where discharges are causing or may cause adverse effects, or where waste is stored without approval, be identified, assessed and, if necessary, remediated. This order affects remote generating station sites and generating station switchyards operated by Hydro One. Hydro One's current estimates indicate that the total cost for assessment and remediation at the remote generating station sites will be approximately $17 million over a four- to six-year period. Hydro One's current estimate of its remediation and assessment costs associated with the generating station switchyards is approximately $3 million over a four- to six-year period.

Environmental regulations can change rapidly and may be difficult to predict. Because new or existing facilities may be subject to new standards imposed by environmental regulation, substantial expenditures may be required to comply with such regulations. Hydro One is currently reviewing the environmental condition of various properties, and costs for investigation or remediation of such properties may exceed estimated amounts depending on the results of such review. Hydro One analyzes the costs of its obligations arising from environmental matters on an ongoing basis. The ultimate resolution of future environmental matters is not expected to have a material adverse effect upon the financial position or results of operations of Hydro One.

20. COMMITMENTS

The future minimum lease payments under operating leases for each of the five years subsequent to December 31, 2000 and in total thereafter are as follows:

Year ended December 31 (Canadian dollars in millions)	
2001	20
2002	18
2003	14
2004	12
2005	8
Thereafter	11
Total future minimum lease payments	83

21. SEGMENT REPORTING

Hydro One has three reportable segments:

I. The transmission business, which comprises the core business of providing transportation and connection services, as well as various services such as telecommunications and secondary land use, and is responsible for transmitting electricity throughout the Ontario electricity grid;
II. The distribution (including retail) business, which comprises the core business of delivering and selling electricity to customers; and
III. An "other" segment primarily consisting of energy services, power procurement, telecom, head office and the results of Ontario Hydro International Inc.

The designation of segments has been based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see Note 2).

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Segment information on the above basis is as follows:

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Transmission			
Revenues	1,260	1,237	1,178
Operation, maintenance and administration	433	423	349
Purchased power	-	-	17
Depreciation and amortization	198	179	179
Segment profit before transitional cost adjustment, Provincial debt guarantee fee, deferred pension asset and financing charges	629	635	633
Distribution (including retail)			
Revenues	1,703	1,793	1,729
Operation, maintenance and administration	388	382	318
Purchased power	857	900	1,083
Depreciation and amortization	143	152	108
Segment profit before transitional cost adjustment, Provincial debt guarantee fee, deferred pension asset and financing charges	315	359	220
Other			
Revenues	32	95	141
Operation, maintenance and administration	35	58	56
Purchased power	9	39	65
Depreciation and amortization	7	11	13
Segment (loss) profit before transitional cost adjustment, provincial debt guarantee fee, deferred pension asset and financing charges	(19)	(13)	7
Capital expenditures			
Transmission	280	327	171
Distribution (including retail)	175	186	188
Other	14	16	35
	469	529	394

December 31 (Canadian dollars in millions)	2000	1999
Total assets		
Transmission	6,492	6,658
Distribution (including retail)	3,434	3,377
Other	71	55
	9,997	10,090

All revenues, costs and assets, as the case may be, are earned, incurred or held in Canada, except for the operations of Ontario Hydro International Inc. in years prior to 2000 (see Note 8).

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. COMPARATIVE FIGURES

The comparative Consolidated Financial Statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2000 Consolidated Financial Statements.

23. RECONCILIATION TO U.S. GAAP

The Consolidated Financial Statements of Hydro One have been prepared in accordance with Canadian GAAP, which conforms in most respects to U.S. GAAP. Under both Canadian GAAP and U.S. GAAP, certain of the Company's accounting policies differ from those that would be followed by enterprises operating in a non-rate-regulated environment.

The material differences between Canadian GAAP, as used in the preparation of these Consolidated Financial Statements, and U.S. GAAP, are summarized below.

Consolidated Statements of Operations

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998
Net income	378	375	474
Adjustments increase (decrease):			
Pension costs (a)	-	-	(25)
Other post-retirement benefit costs (a)	-	-	(7)
Other post-employment benefit costs (a)	(6)	8	12
Staff reduction charges (b)	(60)	45	(6)
Corporate write-offs (c)	(2)	(24)	(2)
Net income and comprehensive income (U.S. GAAP)	310	404	446
Retained earnings, opening	292	-	-
Dividends	(402)	-	-
Excess of assets over liabilities, March 31, 1999	-	(2,870)	-
Excess of assets over liabilities, opening (U.S. GAAP)	-	2,758	2,312
Excess of assets over liabilities, closing (U.S. GAAP)	-	-	2,758
Retained earnings, December 31 (U.S. GAAP)	200	292	-

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated Balance Sheets

December 31 (Canadian dollars in millions)	2000	1999
Assets: increase (decrease)		
Fixed assets in service (a),(c)	24	16
Deferred pension asset (a)	-	150
Regulatory assets - environmental (d)	265	158
Regulatory assets - deferred tax (e)	97	27
Liabilities: (increase) decrease		
Accounts payable and accrued charges (b),(c)	8	46
Other post-retirement and post-employment benefits (a)	(11)	13
Long-term accounts payable and accrued charges (d)	(265)	(158)
Regulatory liability - deferred pension (a)	-	(150)
Deferred tax liability (e)	(97)	(27)
	21	75

(a) Employee future benefits:

With the adoption of the CICA's accounting recommendations with respect to employee future benefits and the completion of the 1999 staff reduction program, the Company's accounting for employee future benefits (pension, other post-retirement and post-employment benefits (OPEB)) substantially conforms to U.S. GAAP as at December 31, 2000.

Pension:

Under U.S. GAAP, additional liabilities of $229 million associated with the staff reduction program would have been recognized as a reduction in the deferred pension asset and corresponding regulatory liability in 2000 rather than in 1999 (see item (b) below).

At December 31, 1999, the amount of the deferred pension asset, and corresponding regulatory liability, would have been $391 million under U.S. GAAP. This compares with the $241 million deferred pension asset and regulatory liability recorded on the Company's balance sheet at December 31, 1999. The difference of $150 million reflects the timing difference of recognizing the additional liabilities associated with the voluntary retirement program.

The 1999 deferred pension asset, corresponding regulatory liability and 1998 pension costs also differed under U.S. GAAP because of the timing of the adoption of the CICA's accounting recommendations.

Employee future benefits other than pension:

Under U.S. GAAP, the OPEB liabilities at December 31, 2000 and 2000 OPEB cost would have been $11 million higher due to the immediate recognition of the actuarial loss due to a change in the current market settlement rate at December 31, 2000. Of this, $6 million would have been charged to the results of operations and $5 million to the cost of fixed assets.

Under U.S. GAAP, the OPEB liabilities at December 31, 1999 and 1999 OPEB cost would have been $13 million lower due to the immediate recognition of the actuarial gain due to a change in the current market

settlement rate at December 31, 1999. Of this, $8 million would have been credited to results of operations and $5 million to the cost of fixed assets.
Costs related to employee future benefits other than pension recorded in 1998 differed under U.S. GAAP because of the timing of the adoption of the CICA's accounting recommendations.

(b) Staff reduction charges

Under Canadian GAAP prior to January 1, 2000, costs relating to staff reduction programs are recognized at the time management approves such reductions and the costs can be reasonably estimated, including costs associated with a voluntary retirement program. Under U.S. GAAP, the cost of staff reduction programs may not be recognized unless the program specifically identifies the number of employees and their job classification and location, and the terminations will occur within one year from the date that management approves the reduction program. Under U.S. GAAP, the cost of offering a voluntary program can only be recognized when employees actually accept an offer of early retirement.

Ontario Hydro recorded a provision for staff reduction costs in the amount of $18 million in 1997. An additional $3 million was allocated to Hydro One on April 1, 1999. Actual staff reduction expenditures of $6 million and $1 million were incurred during 1998 and 1999, respectively. Hydro One reversed the remaining provision of $14 million as a credit to results of operations in 1999. Under U.S. GAAP, the original provision and its subsequent reversal would not have been recorded and the actual expenditures incurred would have been charged to the results of operations during 1998 and 1999.

During 1999, Hydro One recorded a new provision for staff reduction costs in the amount of $60 million and in 2000, Hydro One reversed $5 million of this provision as a credit to the results of operations. Under U.S. GAAP, the original provision would not have been recorded in 1999. Instead, a provision for $55 million would have been recorded in 2000 as employees actually accepted the early retirement offer. Therefore, U.S. GAAP income would have been lower in 2000 by $60 million due to a combination of the $55 million staff reduction provision and the absence of the $5 million credit resulting from the 2000 reversal of a portion of the provision recognized under Canadian GAAP in 1999.

(c) Corporate write-offs

In 1997, Ontario Hydro recorded a $33 million expense related to the future disposal of certain field operation centres. This amount included $25 million for the write-down of specific fixed assets and $8 million for a provision for non-discretionary post-occupancy costs. Under U.S. GAAP, the fixed assets would have remained on the balance sheet as assets held for future use and would have continued to be depreciated at $2 million per year. In addition, the provision for non-discretionary post-occupancy costs would not have been recorded.

In 1993, Ontario Hydro recorded a real estate provision in the amount of $22 million, which was reversed by Hydro One as a credit to results of operations in 1999. Under U.S. GAAP, the provision and its subsequent reversal would not have been recorded.

(d) Environmental costs

Hydro One expenses the costs to settle past environmental damage as those costs are incurred. That policy is also the basis on which the Company's transmission and distribution rates have been set. Under U.S. GAAP, a liability should be recognized for such costs when it is likely that a liability has been incurred and when the amount and timing of the future costs are reasonably estimable. Because the Company's

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

rates have been set to recover environmental costs on an as incurred basis, and it is expected the regulator will continue to permit that treatment, under U.S. GAAP a regulatory asset would be recognized in the same amount as the environmental cost liability. Thus, there would be no change in reported net income as a result of applying U.S. GAAP for environmental costs.

For U.S. GAAP purposes, a liability and regulatory asset of $265 million would be recognized at December 31, 2000 (1999 - $158 million). The increase in the liability from 1999 to 2000 was primarily due to revised cost estimates based on experience gained in inspecting and testing transformers for PCB contamination.

In the Consolidated Financial Statements for the year ended December 31, 1999, the Company's disclosure of differences between U.S. and Canadian GAAP for environmental costs did not take account of the regulatory asset that would be recognized under U.S. GAAP. The amounts now reported for purposes of U.S. GAAP have been restated from those previously reported. U.S. GAAP net income for 1999 is $35 million lower (1998 - $9 million higher) than previously reported. The excess of assets over liabilities at January 1, 1998 for purposes of U.S. GAAP is $184 million higher than previously reported.

(e) Deferred income taxes

U.S. GAAP requires the reporting and display of deferred income tax liabilities and assets on the balance sheet. To the extent that the deferred income taxes are expected to be included in the approved rates charged to customers in the future, the Company would record a regulatory asset. The amount of deferred taxes reported for U.S. GAAP, determined on the basis of enacted income tax rates, is based on information included in Note 10.

(f) Proportionate consolidation of joint ventures

Under Canadian GAAP, Hydro One accounted for its indirect investment in Ontario Quinta using the proportionate consolidation method (see Note 8). Under U.S. GAAP, Hydro One's indirect investment in Ontario Quinta would have been accounted for using the equity method. However, U.S. securities regulations allow Hydro One to omit from the U.S. GAAP reconciliation the differences resulting from the use of the proportionate consolidation method, subject to the provision of the information included in Note 8.

(g) Transitional cost adjustment

As set forth in Note 7 to the Consolidated Financial Statements, the Company recorded a transitional cost adjustment in the first three months of 1999. Under U.S. GAAP, the transitional cost adjustment would not be recognized as a specific cost line item in the first three months of 1999. Instead, under U.S. GAAP, the transitional cost adjustment would have been netted against revenue.

(h) Statement of cash flows

Under U.S. GAAP, bank indebtedness is not included in deriving cash and cash equivalents for purposes of the statement of cash flow. Bank indebtedness is classified as a financing activity.

HYDRO ONE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(i) Future accounting pronouncements

The U.S. Financial Accounting Standards Board has issued new standards on accounting for derivative financial instruments and hedging activities under Statement No. 133, effective for fiscal years beginning on or after June 15, 2000. Statement No. 133 establishes accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either assets or liabilities measured at their fair value. In addition, Statement No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. If these criteria are met, and the Company has formally documented, designated and assessed the effectiveness of qualifying transactions, gains and losses on the derivatives may be offset against losses and gains on the hedged item in the income statement. Hydro One has not yet entered into any derivative transactions and therefore, has determined that the new standard currently has no impact on its Consolidated Financial Statements.

HYDRO ONE INC.
FIVE-YEAR[1] SUMMARY OF FINANCIAL AND OPERATING STATISTICS

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998	1997	1996
Statement of operations data					
Revenues	2,995	3,125	3,048	3,099	3,129
Costs					
Operation, maintenance and administration[2]	856	863	723	706	602
Purchased power	866	939	1,165	1,250	1,218
Depreciation and amortization	348	342	300	302	305
Transitional cost adjustment[3]	-	55	-	-	-
Provincial debt guarantee fee[4]	-	8	31	32	31
Deferred pension asset	-	-	(204)	-	-
	2,070	2,207	2,015	2,290	2,156
Other income					
Gain on sale of investment[5]	-	32	-	-	-
Income before financing charges and provision for payments in lieu of corporate income taxes	925	950	1,033	809	973
Financing charges	340	381	559	584	590
Income before provision for payments in lieuof corporate income taxes	585	569	474	225	383
Provision for payments in lieu of corporate income taxes[6]	207	194	-	-	-
Net income	378	375	474	225	383

[1] The results of operations and financial positions prior to April 1, 1999 may have been different if Hydro One had been a stand-alone corporation with its own management and capital structure, rather than a business unit of Ontario Hydro.

[2] Operation, maintenance and administration for 1999 includes a net charge of $24 million for a staff reduction program and the reversal of certain provisions. In 1997, Ontario Hydro's Board of Directors approved a charge in the amount of $79 million related to field operation centres, certain cost of programs, the consolidation of facilities and planned employee reductions.

[3] The transitional cost adjustment was a one-time charge related to the first three months of 1999 (see Note 7).

[4] The provincial debt guarantee fee was an annual fee equal to one-half of one percent (0.5%) of the total debt guaranteed by the Province outstanding as of the preceding December 31. This fee was eliminated effective April 1, 1999 (see Note 17).

[5] The gain on sale of investment relates to the sale of the Company's 25% equity interest in Ontario Quinta (see Note 8).

[6] As of April 1, 1999, Hydro One is required to make payments in lieu of corporate taxes (see Notes 2 and 10).

HYDRO ONE INC.
FIVE-YEAR[1] SUMMARY OF FINANCIAL AND OPERATING STATISTICS (continued)

Year ended December 31 (Canadian dollars in millions)	2000	1999	1998	1997	1996
Financial position data					
Total assets	9,997	10,090	9,435	9,059	9,002
Other financial data					
EBITDA[7]	1,273	1,292	1,333	1,111	1,278
Capital expenditures:					
Transmission	280	327	171	176	161
Distribution (including retail)	175	186	188	126	147
Other	14	16	35	22	6
Ratios					
Net asset coverage on long-term debt[8]	1.90	1.83	1.43	1.37	1.33
Interest coverage ratio[9]	2.49	2.26	1.82	1.37	1.63
U.S. GAAP (Canadian dollars)[10]					
Net income and comprehensive income	310	404	446	272	379
Retained earnings	200	292	-	-	-
Interest coverage ratio[9]	2.31	2.33	1.77	1.45	1.62
Operating statistics					
Transmission:					
Units transmitted (TWh)	146.9	144.1	143.0	144.8	143.0
System peak demand (MW)	23,428	23,435	22,443	22,197	22,321
Total transmission lines (kilometres)	28,490	28,889	29,066	29,080	29,080
Distribution:					
Units distributed (TWh)	17.6	18.1	18.3	18.8	18.6
Total distribution lines (kilometres)	113,880	113,400	116,947	119,182	118,985
Customers[11]	957,474	933,990	977,835	973,439	962,943
Total employees	4,468	5,632	5,221	5,222	5,478

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[7] EBITDA represents income before financing charges, provision for payments in lieu of corporate income taxes, depreciation and amortization and does not include financing income.

[8] Net asset coverage on long-term debt is calculated as total assets minus total liabilities excluding long-term debt (including current portion) divided by long-term debt including current portion. Net asset coverage on long-term debt would have been 1.80 had common and preferred dividends been paid in 1999.

[9] Interest coverage is calculated as income before interest expense and provision for payment in lieu of corporate income taxes divided by total interest cost. In 1999, the gain on the sale of the investment in Ontario Quinta is excluded from income for the purpose of calculating interest coverage.

[10] The amounts for purposes of U.S. GAAP have been restated to reflect a regulatory asset for environmental costs (see Note 23).

[11] As of April 1, 1999, Hydro One served approximately 934,000 retail customers. The reduction over prior years was a result of statutory annexations of a small portion of facilities by several municipal electricity utilities (see Note 11).

Liquor Control Board of Ontario

June 12, 2001

Mr. Erik Peters, F.C.A.
Provincial Auditor
20 Dundas Street West
Toronto, Ontario
M5G 2C2

Dear Mr. Peters:

In connection with your audit of the financial statements of The Liquor Control Board of Ontario for the year ended March 31, 2001, we hereby confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We are responsible for the fair presentation in the financial statements of financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles.

   We understand that your audit was directed to the expressing of an opinion on the financial statements and was conducted in accordance with Canadian generally accepted auditing standards. We also understand that such an audit is not designed to provide absolute assurance that there are no misstatements in the financial statements resulting from illegal acts, fraud, errors or other irregularities. The responsibility for the prevention and detection of illegal acts, fraud, errors and other irregularities rests with management.

2. Proper books of account have been kept and the financial statements at the balance sheet date are in agreement with them. We have made available to you all financial and accounting records and related data, as have all minutes of meetings of directors and committees of directors held throughout the period and up to the present date.

3. All accounts and transactions have been appropriately described and properly recorded in the financial statements and in the accounting records underlying the financial statements.

4. We are not aware of:

   (a) any irregularities involving management or employees who have significant roles in the system of internal accounting controls or any irregularities involving other employees which could have a material effect on the financial statements, and
   (b) any illegal or possible illegal acts.

5. All transactions of the Liquor Control Board of Ontario have been within its statutory powers. The Liquor Control Board of Ontario had complied with its enabling legislation and regulations, and its by-laws.

6. The Liquor Control Board of Ontario has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

7. The Liquor Control Board of Ontario has satisfactory title to all owned assets and there are no liens or encumbrances on such assets, nor has any asset been pledged.

8. All information regarding terms and conditions, interest rate risk, credit risk and fair value of financial instruments have been properly disclosed.

9. We have disclosed to you and properly identified in the accounting records all the Liquor Control Board of Ontario's bank accounts, as have any funds held on behalf of the Board by other parties.

10. The receivables shown in the balance sheet represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet date. These receivables do not include any amounts which are collectible after one year. The amount carried for doubtful accounts and allowances is sufficient to provide for losses which may be sustained on realization of the receivables.

11. Inventories shown in the balance sheet are stated at the lower of cost and net realizable value, cost being determined on the moving average cost basis, consistent with the prior year. Appropriate provisions have been made for all slow-moving, obsolete, or unusable inventories. Inventory quantities at balance sheet date were determined from the Board's perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees at March 31, 2001. Liability, if unpaid, for all items included in inventories is recorded at balance sheet date and all quantities billed to customers at that date are excluded from the inventory balances.

12. The estimated useful lives of capital assets, as disclosed in the financial statements, are a reasonable basis for amortization.

13. All direct or contingent liabilities, unusual contractual obligations or any substantial commitments which existed at the balance sheet date and up to the present date, have been disclosed to you.

14. The financial statements properly disclose the nature and extent of related party transactions and contains a description of the relationship with the related parties, the amount due to or from related parties and the terms of settlement.

15. The financial statements do not report any known or contingent liabilities arising from environmental matters because there are none to report.

16. No events have occurred subsequent to the balance sheet date and up to the present date that would require adjustment to, or disclosure in, the financial statements.

17. The financial statements and appended notes include all disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of the Liquor Control Board of Ontario in accordance with Canadian generally accepted accounting principles, and disclosure otherwise required by the laws and regulations to which the Board is subject.

18. No "letters of comfort" to financial institutions from the minister responsible for the Board, or the Board, have been issued or have been in force at any time during the year or subsequently.

Yours very truly,

Andrew S. Brandt
Chair & Chief Executive Officer

Alex Browning
Senior Vice President, Finance & Administration

/kkz

Auditor's Report

To the Liquor Control Board of Ontario
and to the Minister of Consumer and Business Services

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 2001 and the statements of income and retained income and of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2001, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
June 11, 2001

Erik Peters, FCA
Provincial Auditor

LIQUOR CONTROL BOARD OF ONTARIO

Balance Sheet
As at March 31, 2001

	2001 ($000s)	2000 ($000s)
ASSETS		
Current		
Cash and cash equivalents	47,961	31,133
Accounts receivable, trade and others	15,649	13,114
Inventories	260,619	255,398
Prepaid expenses	6,086	9,079
	330,315	308,724
Long-term		
Capital assets (Note 4)	186,996	172,124
	517,311	480,848
LIABILITIES AND RETAINED INCOME		
Current		
Accounts payable and accrued liabilities	218,836	209,074
Current portion of accrued benefit obligation (Note 3)	4,202	1,358
	223,038	210,432
Long-term		
Accrued benefit obligation (Note 3)	26,329	10,794
Retained income	267,944	259,622
	517,311	480,848

Commitments and Contingencies (Notes 5 and 8)

See accompanying notes to financial statements.

Approved by:

Chair and Chief Executive Officer

Director

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income and Retained Income
Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Sales and other income	2,734,937	2,549,458
Costs and expenses		
Cost of sales	1,390,575	1,288,903
Retail stores and marketing	339,017	303,272
Warehousing and distribution	46,565	41,888
Administration	41,962	40,119
Amortization	40,546	29,582
	1,858,665	1,703,764
Net income for the year	876,272	845,694
Retained income, beginning of year	259,622	213,928
Workers Compensation Benefits (Note 3)	(17,950)	—
	1,117,944	1,059,622
Deduct		
Dividend paid to Province of Ontario	846,000	795,000
Payment to municipalities on behalf of the Province of Ontario (Note 9)	4,000	5,000
	850,000	800,000
Retained income, end of year	267,944	259,622

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Cash Flows
Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Cash provided from Operations		
Net income	876,272	845,694
Amortization	40,546	29,582
Loss on sale of capital assets	192	920
	917,010	876,196
Non-cash balances related to operations		
Working capital	4,999	(15,198)
Accrued benefit obligation	429	—
	922,438	860,998
Cash used for investment activities		
Purchase of capital assets	(55,689)	(54,456)
Proceeds from sale of capital assets	79	13
	(55,610)	(54,443)
Cash used for financing activities		
Dividend paid to Province of Ontario	(846,000)	(795,000)
Payment to municipalities on behalf of the Province of Ontario	(4,000)	(5,000)
	(850,000)	(800,000)
Increase in cash during the year	16,828	6,555
Cash and cash equivalents, beginning of year	31,133	24,578
Cash and cash equivalents, end of year	47,961	31,133

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 2001

1. NATURE OF THE CORPORATION

The Liquor Control Board of Ontario (Board) is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. The corporation is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. As an Ontario Crown Corporation, the Board is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*. The Board transfers most of its profits to the Province of Ontario's Consolidated Revenue Fund in the form of a dividend.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Board's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined by the moving average cost method.

(c) Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	20 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years
Computer Equipment	3 years

Minor capital expenditures and the expenditures for repairs and maintenance are charged to income.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, and highly liquid investments with original maturity dates of less than 90 days.

The Board's investment policy restricts short-term investments to high liquidity, high grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

UOR CONTROL BOARD OF ONTARIO

es to Financial Statements
ch 31, 2001

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee Benefit Obligations

The Board provides pensions benefits to its employees through participation in the Public Service Pension Fund and the Ontario Public Service Employee's Pension Fund. These plans are accounted for as multi-employer defined benefit pension plans as the Board has insufficient information to apply defined benefit plan accounting. The expense represents the Board's contributions to the plans during the year. The cost of post-retirement, non-pension employee benefits are paid by Management Board Secretariat and are not included in the Statement of Income and Retained Income. Effective April 1, 2000, the Board also accrued Workers Compensation Benefits (See Note 3) and included in-year changes in the accrual in administration expenses. The accrued benefit obligation also includes an accrual for termination payments.

WORKERS COMPENSATION BENEFITS

Effective April 1, 2000, the Board recognized its workers compensation obligation in the amount of $17.9 million which is not funded. This is the first year of recognizing this obligation in accordance with the Canadian Institute of Chartered Accountants new recommendations for accounting for employee future benefits. The new recommendations have been adopted on a retroactive basis without restatement. The impact on prior years has been reflected as an adjustment to opening retained earnings. The current year's impact is included in administrative expenses. The recognized amount has been determined from actuarial calculations provided by the Workplace Safety and Insurance Board. At March 31, 2001, the Provision for workers compensation benefit totaled $17.2 million and is included in the accrued benefit obligation together with accrued termination payments of $13.3 million (1999 - $12.2 million).

CAPITAL ASSETS

	2001 ($000s)			2000 ($000s)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	13,835	—	13,835	13,835
Buildings	281,718	182,541	99,177	81,871
Furniture and fixtures	35,736	27,645	8,091	6,512
Leasehold improvements	103,589	71,109	32,480	29,913
Computer equipment	84,748	51,335	33,413	39,993
	519,626	332,630	186,996	172,124

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 2001

5. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($000s)
2002	28,575
2003	25,080
2004	21,323
2005	18,428
2006	15,963
Thereafter	72,707
	182,076

6. PENSION PLAN

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Board's expense related to the PSPF and the OPSEU Pension Fund for the year was $9.8 million (2000 - $9.4 million) and is included in Costs and expenses in the Statement of Income and Retained Income.

7. HEDGING

The Board has entered into forward foreign exchange contracts to manage the foreign exchange risk associated with its purchases from foreign suppliers. A forward foreign exchange contract is an agreement between two parties to set exchange rates in advance.

As at March 31, 2001 the Board had $1,469,069 (2000 - $1,441,000) forward foreign exchange contracts outstanding.

Credit risk is the risk that a party to a forward foreign exchange contract will fail to discharge its obligation and cause the Board to incur financial loss. The Board minimizes credit risk by only dealing with major Canadian Chartered banks and Canadian subsidiaries of major foreign banks.

8. CONTINGENCIES

The Board is involved in various legal actions arising out of the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not determinable at this time. Accordingly, no provision for these actions is reflected in the financial statements. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

QUOR CONTROL BOARD OF ONTARIO

otes to Financial Statements
arch 31, 2001

PAYMENT TO MUNICIPALITIES

The Board was directed by Cabinet to contribute $4 million in 2000/2001 (1999/00 - $5.0 million), directly to municipalities, based upon a funding formula developed by the Ministry of the Environment (MOE). This contribution is to support MOE's waste diversion program. Cabinet further approved that $5 million be paid in each of the next five years.

. COMPARATIVE FIGURES

The March 31, 2000 comparative figures have been reclassified where necessary to conform to the current year's presentation.

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Cal Year	Sector	Employer	Surname	Given Name	Position	Salary Paid
					Insert additional rows as needed	
2000	Agency	LCBO	Bonic	Jacqueline	V-P, Store Development & Real Estate	$121,382.04
2000	Agency	LCBO	Brandt	Andrew	Chair & C.E.O.	$104,049.79
2000	Agency	LCBO	Browning	J. Alex	Sr. V-P, Finance & Administration	$144,086.48
2000	Agency	LCBO	Buck	Peter	Director, Human Resource Services	$114,982.29
2000	Agency	LCBO	Burns	Tamara	Category Director, Wines	$105,270.61
2000	Agency	LCBO	Cardinal	Nancy	V-P, Marketing Communications	$114,607.04
2000	Agency	LCBO	Chu	Hang-Sun	Sr. System Analyst	$102,143.52
2000	Agency	LCBO	Clute	Peter	Exec. Director, Corp. Affairs	$110,282.23
2000	Agency	LCBO	Denomme	David	Solicitor	$109,926.29
2000	Agency	LCBO	Downey	Robert	Category Director, Spirits	$111,832.19
2000	Agency	LCBO	Dutton	Rob	Director, Fin. Planning & Econ. Dev.	$114,982.29
2000	Agency	LCBO	Ecker	Roy	Director, Central Region	$116,582.04
2000	Agency	LCBO	Fisher	Ron	Director, Western Region	$117,392.29
2000	Agency	LCBO	Fitzpatrick	Mary	Sr. V-P, Gen.Counsel, & Corp. Secretary	$144,086.48
2000	Agency	LCBO	Flynn	Larry	Sr. V-P, Merchandising	$124,551.84
2000	Agency	LCBO	Gee	Larry	Executive V-P	$206,162.68
2000	Agency	LCBO	Green	Michael	Solicitor	$111,625.29
2000	Agency	LCBO	Hicks	William	Director, Durham Facility	$108,925.77
2000	Agency	LCBO	Holloway	Brian	Director, Application Systems	$110,235.93
2000	Agency	LCBO	Kane	Murray	Sr. V-P, Human Resources	$144,086.48
2000	Agency	LCBO	Kelly	Hugh	Sr. V-P, Information Technology	$166,508.48
2000	Agency	LCBO	Kennedy	William	Exec. Director, Corp. Communications	$116,582.04
2000	Agency	LCBO	Ker	Gerry	Director, Corporate Policy	$114,982.29
2000	Agency	LCBO	Lyons	Carol	Controller	$103,923.06
2000	Agency	LCBO	Marshall	David	Director, Northern Region	$112,415.29
2000	Agency	LCBO	Martin	John	Sr. V-P, Logistics	$141,717.25
2000	Agency	LCBO	McGrath	Bruce	Sr. System Analyst	$107,408.24
2000	Agency	LCBO	Murphy	Peter	Director, Conventional Warehousing	$103,742.57
2000	Agency	LCBO	Ramsay	Gary	Director, Application Systems	$108,290.83
2000	Agency	LCBO	Sherwood	Garfield	Sr. V-P, Retail	$144,086.48
2000	Agency	LCBO	Stanley	Thomas	Mgr., Information Resource Mgmt.	$101,347.86
2000	Agency	LCBO	Tughan	William	Director, Loss Prevention & Security	$100,656.07
2000	Agency	LCBO	Wilson	Thomas	V-P, Vintages	$116,582.04
2000	Agency	LCBO	Zachar	Wayne	Director, Employee Relations	$111,204.65

I certify that the information provided on this record is correct in accordance with the Public Sector Salary Disclosure Act

This record has been approved by:

Murray Kane	Senior Vice-President, Human Resources
Name	**Position Title**
(416) 864-6676	March 7, 2001
Phone Number	**Date**

Prepared under the Public Sector Salary Disclosure Act, 1996

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
October 31, 2000

The accompanying financial statements are the responsibility of the management of The Niagara Parks Commission.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Commission maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by Crawford, Smith and Swallow Chartered Accountants LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Commission, the Minister of Tourism and the Provincial Auditor. Crawford, Smith and Swallow Chartered Accountants LLP has full and free access to the Commission.

John A. M. Kernahan
General Manager
January 19, 2001

Brooker

Robert F. Brooker
Assistant General Manager and
Senior Director, Corporate Services
January 19, 2001

THE NIAGARA PARKS COMMISSION

AUDITORS' REPORT

To The Niagara Parks Commission,
the Minister of Tourism
and the Provincial Auditor

Pursuant to the Niagara Parks Act which provides that The Niagara Parks Commission, an agency of the Crown, shall be audited by the Provincial Auditor or an auditor designated by the Lieutenant Governor in Council, we have audited the balance sheet of The Niagara Parks Commission as at October 31, 2000 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 2000, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Niagara Falls, Ontario
January19, 2001

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

THE NIAGARA PARKS COMMISSION

STATEMENT 1

BALANCE SHEET
October 31, 2000

Assets	2000 $	1999 $
Current Assets		
Cash	9,596,381	22,226,134
Accounts receivable		
Land rent	1,567,878	1,504,048
Sundry	1,620,829	1,503,209
Inventories		
Saleable merchandise	3,559,094	4,253,429
Maintenance and other supplies	1,157,560	896,628
Prepaid expenses	241,642	123,845
	17,743,384	30,507,293
Fixed Assets - note 2	121,695,208	99,436,806
	139,438,592	**129,944,099**

Liabilities and Equity		
Current Liabilities		
Accounts payable	8,609,203	4,950,656
Accrued payroll	955,510	741,272
Current portion of mortgage payable	300,000	300,000
	9,864,713	5,991,928
Mortgage Payable - note 3	300,000	600,000
Commitments - note 4		
Contingencies - note 5		
Equity - Statement 2	129,273,879	123,352,171
	139,438,592	**129,944,099**

Signed on behalf of the Commission;

_______________ Chairman

_______________ Vice-chairman

See accompanying notes

THE NIAGARA PARKS COMMISSION

STATEMENT 2

STATEMENT OF EQUITY

for the year ended October 31, 2000

	2000 $	1999 $
Equity, Beginning of Year	123,352,171	115,246,672
Net Income for the Year - Statement 3	5,921,708	8,105,499
Equity, End of Year	**129,273,879**	**123,352,171**

See accompanying notes

HE NIAGARA PARKS COMMISSION

STATEMENT 3

TATEMENT OF OPERATIONS
r the year ended October 31, 2000

	2000 $	1999 $
ncome		
Gift shops, restaurants and attractions - Schedule 1	67,403,129	64,486,732
Land rent	5,173,479	5,038,197
Commissions, rentals and fees	2,693,053	2,642,181
Premium on United States funds - net	568,129	567,636
Interest	587,173	704,159
Gain on disposal of fixed assets - net	981,004	69,492
Sundry income	30,971	17,970
	77,436,938	73,526,367
xpenses		
Gift shops, restaurants and attractions - Schedule 1		
Cost of goods sold	15,772,037	15,453,796
Operating expenses	25,976,311	23,358,314
Depreciation	2,489,138	2,462,261
Maintenance	16,198,903	15,299,064
Administrative and general	4,664,748	4,090,301
Advertising and public relations	3,692,276	2,303,907
Bank charges and interest	6,713	7,259
	68,800,126	62,974,902
et Income for the Year before Depreciation of Non-Income Producing Assets	8,636,812	10,551,465
epreciation of Non-Income Producing Assets	2,715,104	2,445,966
et Income for the Year	**5,921,708**	**8,105,499**

ee accompanying notes

THE NIAGARA PARKS COMMISSION

STATEMENT 4

STATEMENT OF CASH FLOWS
for the year ended October 31, 2000

	2000 $	1999 $
Operating Activities		
Net income for the year	5,921,708	8,105,499
Charges against income not requiring an outlay of funds		
- depreciation	5,310,469	5,014,864
- gain on disposal of fixed assets - net	(981,004)	(69,492)
	10,251,173	13,050,871
Net change in non-cash working capital balances related to operations - note 6	4,006,941	(50,755)
Funds provided by operating activities	14,258,114	13,000,116
Investing Activities		
Fixed asset acquisitions	(27,718,468)	(10,544,265)
Proceeds on sale of fixed assets	1,130,601	123,875
Funds used by investing activities	(26,587,867)	(10,420,390)
Financing Activities		
Proceeds (repayment) of long-term debt	(300,000)	900,000
Increase (Decrease) in Cash Position	(12,629,753)	3,479,726
Cash Position, Beginning of Year	22,226,134	18,746,408
Cash Position, End of Year	**9,596,381**	**22,226,134**

See accompanying notes

THE NIAGARA PARKS COMMISSION

SCHEDULE 1

SCHEDULE OF OPERATIONS
GIFT SHOPS, RESTAURANTS, AND ATTRACTIONS

for the year ended October 31, 2000

	2000 $	1999 $
Income		
Souvenirs, china and post cards	25,524,933	24,556,517
Food and refreshments	15,370,768	14,962,166
Beer, liquor and wine	1,733,339	1,740,708
Confectionery	3,146,908	3,044,262
Fares and admission	20,374,193	18,951,333
Rentals	390,838	403,652
Sundry	862,150	828,094
	67,403,129	64,486,732
Cost of Goods Sold		
Souvenirs, china and post cards	9,612,846	9,455,563
Food and refreshments	4,167,635	4,049,205
Beer, liquor and wine	481,176	482,665
Confectionery	1,250,592	1,214,172
Sundry	259,788	252,191
	15,772,037	15,453,796
Gross Profit	51,631,092	49,032,936
Operating Expenses		
Salaries and wages	12,875,382	11,247,699
Employee benefits	2,465,782	2,072,998
Advertising	745,958	798,835
Fuel, power, water and laundry	868,685	855,306
General	3,280,734	3,378,719
Maintenance of buildings, equipment and vehicles	2,585,832	2,196,141
Maintenance of grounds	800,335	785,085
Grants in lieu of municipal taxes	1,011,157	880,000
Distribution Centre expense	1,342,446	1,143,531
	25,976,311	23,358,314
Net Income before Depreciation	25,654,781	25,674,622
Depreciation of Income Producing Assets	2,489,138	2,462,261
Net Income Exclusive of any Portion of the Administrative Overhead of the Commission	**23,165,643**	**23,212,361**

See accompanying notes

THE NIAGARA PARKS COMMISSION

NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2000

1. Significant Accounting Policies

Basis of accounting

The financial statements of the Commission are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventories

Inventories of saleable merchandise are valued at lower of cost (first-in, first-out) and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight- line method, with rates from 2.5 to 20 per cent for buildings, roadways and structures, 10 to 25 per cent for equipment and furnishings and from 8 to 40 per cent for vehicles.

2. Fixed Assets

	Cost	Accumulated Depreciation	2000	1999
	$	$	$	$
Land	13,555,108		13,555,108	13,443,130
Buildings, roadways and structures	121,379,049	42,670,900	78,708,149	76,868,255
Equipment and furnishings	17,826,513	11,532,153	6,294,360	5,991,137
Vehicles	7,758,763	6,359,172	1,399,591	1,046,037
	160,519,433	60,562,225	99,957,208	97,348,559
Capital works in progress	21,738,000		21,738,000	2,088,247
	182,257,433	**60,562,225**	**121,695,208**	**99,436,806**

THE NIAGARA PARKS COMMISSION

NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2000

3. Mortgage Payable

	2000 $	1999 $
Mortgage Payable, repayable in annual instalments of $ 300,000, interest free, maturing January, 2002, secured by certain lands owned by the Commission	600,000	900,000
Portion due within one year	(300,000)	(300,000)
	300,000	**600,000**

The principal payments of the mortgage payable are due as follows:

	$
2001	300,000
2002	300,000

4. Commitments

The Commission is committed to spending approximately $ 19,000,000 on capital projects in the next year.

5. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

6. Statement of Cash

Changes in working capital components include:

	2000 $	1999 $
Accounts receivable	(181,450)	(602,468)
Inventories	433,403	(898,508)
Prepaid expenses	(117,797)	(4,548)
Accounts payable and accrued payroll	3,872,785	1,454,769
	4,006,941	**(50,755)**

Interest

	2000 $	1999 $
Interest received	**587,173**	**704,159**

THE NIAGARA PARKS COMMISSION

NOTES TO FINANCIAL STATEMENTS
for the year ended October 31, 2000

7. Pension Plans

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Commission's obligations related to the PSPF and OPSEU Pension Fund was $ 1,197,209 (1999 - $ 1,119,428) and is included in the administrative and general expenses in the Statement of Operations and employee benefits in the Schedule of Operations - Gift Shops, Restaurants and Attractions.

8. Financial Instruments

Credit Risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency Risk

The Commission realizes approximately 17.26% (1999 - 17.02%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuation.

9. Surplus Funds

Pursuant to Section 16(2) of the Niagara Parks Act any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the Consolidated Revenue Fund.

Employees Paid $100,000 or more in 1999

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
J. Kernahan	General Manager	$124,657.23	$8,753.11
R.F. Brooker	Assistant General Manager	$114,278.12	$323.67

Prepared in accordance with the *Public Sector Salary Disclosure Act, 1996.*

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by Management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

The Ontario Clean Water Agency is dedicated to the highest standards of integrity in its business. To safeguard Agency assets, the Agency has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Senior Management Team.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets quarterly to oversee the financial activities of the Agency and at least annually to review the financial statements and the external auditors' report thereon, and recommend them to the Minister of the Environment for approval.

The Provincial Auditor has examined the financial statements. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Paul Scott
President and Chief Executive Officer

Louise Morrow Wickson
Vice President, Finance and Corporate Services

ONTARIO CLEAN WATER AGENCY 2000

Auditor's Report

To the Ontario Clean Water Agency,
The Minister of the Environment
And to the Minister of Finance

I have audited the balance sheet of the Ontario Clean Water Agency as at December 31, 2000 and the statements of income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2000 and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Ontario
March 9, 2001

Erik Peters, FCA
Provincial Auditor

ONTARIO CLEAN WATER AGENCY 2000

Balance Sheet

As at December 31 *(in thousands of dollars)*

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$136,410	$131.539
Accounts receivable. net		
Municipalities and other customers	17,212	9.447
Ministry of the Environment	232	2.131
Waterworks Remediation (note3)	7,358	-
Goods and services tax receivable	545	556
Current portion of investments receivable:		
Water and wastewater facilities (note 4)	1,839	2.194
Facilities under construction (notes 3 and 5)	3,114	7.915
	166,710	153.782
Financial assets:		
Investments receivable for water and wastewater facilities (note 4)	53,223	56.272
Investments receivable for facilities under construction (notes 3 and 5)	5,845	5.211
Loans receivable – Top-up loan (note 6)	713	784
Provincial assistance advances (note 7)	3,143	5.775
Fixed assets. net (note 8)	8,150	13.045
	71,074	81.087
Total Assets	$237,784	$234.869

See accompanying notes to financial statements

ONTARIO CLEAN WATER AGENCY 2000

Balance Sheet (Cont'd)

As at December 31 *(in thousands of dollars)*

	2000	1999
LIABILITY AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$22,911	$18,997
Current portion of long-term liabilities (note 11)	1,000	1,000
	23,911	19,997
Long-term liabilities:		
Municipal contributions payable (note 10)	1,597	1,094
Employee benefits (note 11)	6,455	6,683
	8,052	7,777
Equity of Ontario:		
Contributed surplus (note 13)	105,712	106,260
Retained earnings	100,109	100,835
	205,821	207,095
Contingencies (note 14)		
Total Liabilities and Equity	$237,784	$234,869

See accompanying notes to financial statements

On behalf of the Board

Director

ONTARIO CLEAN WATER AGENCY 2000

Statement of Income and Retained Earnings

For year ended December 31, 2000 *(in thousands of dollars)*

	2000	1999
UTILITY OPERATIONS REVENUES		
Utility operations	$103,510	$99,745
Fees	2,020	2,432
Total Operating Revenues	105,530	102,177
OPERATING EXPENSES		
Salaries and benefits (notes 11 and 12)	33,439	37,482
Other operating expenses	67,393	62,594
Amortization of fixed assets	2,003	1,634
Provision for operating losses	790	-
Total Operating Expenses	103,625	101,710
Net Income - Utility Operations before Electronic Operating System Write-Down	1,905	467
Electronic Operating Systems Write-Down (note 17)	13,282	-
NET INCOME (LOSS) – UTILITY OPERATIONS	(11,377)	467
FINANCING REVENUES		
Revenues from investments	12,352	12,641
Interest of facilities under construction	242	406
Total Financing Revenues	12,594	13,047
FINANCING EXPENSES		
Interest	111	111
Loan administration expenses	965	960
Provision for loan losses	257	500
Amortization of fixed assets	60	60
Total Financing Expenses	1,393	1,631
NET INCOME - FINANCING	11,201	11,416
NET INCOME (LOSS) FOR THE PERIOD BEFORE PROPERTY TRANSFER INITIATIVE	(176)	11,883
PROPERTY TRANSFER INITIATIVE (NOTE 15)	550	1,443
NET INCOME (LOSS) FOR THE PERIOD	(726)	10,440
RETAINED EARNINGS, OPENING BALANCE	100,835	90,395
RETAINED EARNINGS, ENDING BALANCE	$100,109	$100,835

See accompanying notes to financial statements

ONTARIO CLEAN WATER AGENCY 2000

Statement of Cash Flows

For the year ended December 31 *(in thousands of dollars)*

	2000	1999
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Net Income (Loss)	($726)	$10,440
Items not affecting cash:		
Amortization of fixed assets	2,063	1,694
Write-down fixed assets (note 17)	13,282	-
	$14,619	$12,134
Changes in non-cash operating working capital		
Accounts receivable	(15,112)	(2,471)
Accounts payable and accrued liabilities	3,914	(2,211)
Ministry of the Environment	1,899	(2,016)
	(9,299)	(6,698)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,320	5,436
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in investments receivable for water and wastewater facilities (note 4)	3,404	11,488
Net decrease in investments receivable for facilities under construction (note 5)	4,167	9,195
Net increase (decrease) in municipal contributions payable (note 10)	503	(2,608)
(Decrease) in long-term employee benefits payable (note 11)	(228)	646
Decrease (increase) in provincial assistance advances receivable (note 7)	2,632	(5,308)
Decrease in loans receivable – Top-up loan (note 6)	71	66
Changes in contributed surplus	(548)	(471)
NET CASH FLOWS FROM FINANCING ACTIVITIES	10,001	13,008
Fixed assets – acquired	(10,450)	(11,605)
INCREASE IN CASH	4,871	6,839
CASH AND CASH EQUIVALENTS, OPENING BALANCE	131,539	124,700
CASH AND CASH EQUIVALENTS, ENDING BALANCE	$136,410	$131,539

See accompanying notes to financial statements

ONTARIO CLEAN WATER AGENCY 2000

Notes on Financial Statements

For the year ended December 31

GENERAL:

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services so as to protect human health and the environment, encourage conservation of water resources and support Provincial policies for land use and settlement.

In accordance with the provisions of the Act, the Agency is incorporated under the laws of Ontario. The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies that are of significance to the Agency.

(a) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include $122 million invested with the Province of Ontario Savings Office.

(b) Fixed assets:

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Amortization is provided using the declining balance method with a half-year provision in the year of purchase if the asset is available for use. Fixed assets are being amortized at annual rates as follows:

Automotive equipment	25%
Furniture and fixtures	20%
Computer hardware	33.33%
Computer software	50%
Machinery and equipment	20%
Leasehold improvements	10-20%
Electronic Operating System	100%

(c) Investments receivable for facilities under construction:

Interest on borrowings and other incremental expenditures relating to facilities are capitalized during the construction period. The Ontario Financing Authority sets the rate of interest at the start of the fiscal year.

(d) Utility operations:

A portion of the contractual arrangements with clients for the operation of water and wastewater treatment facilities provides for the recovery of all costs incurred in their operations plus a management fee. Revenue is recognized at the time such costs are incurred even though agreements may provide for the collection of a portion of those costs in future years. Accordingly, costs incurred in excess of amounts billed and to be recovered in future years are classified as "Investments receivable in water and wastewater facilities".

(e) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued liability approximates fair value due to the short-term maturities of these instruments. Due to prepayment options, the carrying value of the balance of the financial assets and long-term liabilities approximates their fair value.

3. WATERWORKS REMEDIATION / FACILITIES UNDER CONSTRUCTION

In 2000, the Agency responded to the request from the Province of Ontario to provide remediation services for the Municipality of Brockton (Walkerton). To December 31, costs of $10.4 million had been incurred which are to be ultimately recovered from the Province of Ontario. $7.4 million of these costs have been reflected as Waterworks remediation receivable, and the remaining $3.0 million as investments receivable for facilities under construction.

4. INVESTMENTS RECEIVABLE FOR WATER/WASTEWATER FACILITIES:

(a) These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed. In addition, it includes capitalized deficits on certain facilities that will be collected from clients during future years. Investments receivable for water and wastewater facilities are recorded at the lesser of both the outstanding principal and other capitalized amounts, and net realizable value.

(b) The investments receivable are supported by agreements which bear interest at rates between 5.07% and 13.69%. Scheduled principal repayments of the investments are as follows:

(in thousands of dollars)	
2001	$ 1,839
2002	1,983
2003	2,139
2004	2,307
2005	2,488
Thereafter	44,306
	55,062
Less: Current portion	1,839
	$ 53,223

5. INVESTMENTS RECEIVABLE FOR FACILITIES UNDER CONSTRUCTION:

(a) "Investments receivable for facilities under construction" represent new water and wastewater facilities or major capital improvements to existing facilities that have been undertaken by the Agency on behalf of its clients. Annually, the net recoverable amount from the customer is transferred to "Investments receivable for water and wastewater facilities". Certain clients pay the entire balance of their amount, accumulated as facilities under construction, within one year.

(b) In the current period, the Agency capitalized interest amounting to $0.2 million (1999 - $0.4 million) to investments receivable for facilities under construction. In addition, provincial assistance amounting to $0.9 million (1999 - $5.5 million) was recorded as a reduction of investments receivable for facilities under construction.

6. LOANS RECEIVABLE - TOP-UP LOANS:

The Agency made loans to municipalities to finance water and wastewater facilities that have received provincial assistance under the Municipal Assistance Program. The loans were made for terms of up to 20 years at interest rates between 8.1% and 8.85% set by the Province at the time the loan was granted.

7. PROVINCIAL ASSISTANCE ADVANCES:

The agency finances the construction of certain facilities on behalf of municipalities. A portion of the construction costs is eligible for provincial assistance grants provided by the Ministry of the Environment.

8. FIXED ASSETS:

(in thousands of dollars)	Cost	Accumulated Depreciation	**Net Dec. 31, 2000**	Net Dec 31, 1999
Furniture and fixtures	$ 1,384	$ (653)	$ **731**	$ 860
Automotive equipment	79	(28)	**51**	16
Computer hardware	4,164	(2,806)	**1,358**	1,067
Computer software	1,933	(1,481)	**452**	743
Leasehold improvements	5,628	(751)	**4,877**	3,677
Machinery and equipment	865	(184)	**681**	302
Electronic operating systems (note 17)	14,531	(14,531)	**-**	6,380
	$ 28,584	$ (20,434)	$ **8,150**	$ 13,045

9. LEASE COMMITMENTS:

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2001	$ 1,208
2002	1,239
2003	1,062
2004	963
2005	811
Thereafter	2,047
	$ 7,330

10. MUNICIPAL CONTRIBUTIONS PAYABLE:

(in thousands of dollars)		**Dec. 31, 2000**		Dec 31, 1999
Municipal contributions held for future repairs	$	2,226	$	2,408
Municipal operating expense (repayment) prepayments		(629)		(1,314)
	$	1,597	$	1,094

At December 31, 2000, the Agency held funds that will be used for future repairs amounting to $2.2 million (1999 - $2.4 million). The $2.2 million is included in cash and short-term investments.

11. EMPLOYEE BENEFITS:

At inception, the Agency assumed the responsibility to fund the accrued employee benefits related to the employees of the Agency. These costs have been estimated to amount to $7.5 million (1999 - 7.7 million) of which $1.0 million has been classified as current liability. The amount accrued in 2000 was $0.6 million (1999 - $2.9 million) and is included in salaries and benefits expense in the Statement of Income and Retained Earnings.

12. PENSION PLAN:

The agency provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario. The Agency's contribution related to the pension plans for the period was $1.8 million (1999 - $1.9 million) and is included in salaries and benefits in the Statement of Income and Retained Earnings.

13. CONTRIBUTED SURPLUS:

The opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed. Included in the closing balance are the following:

(in thousands of dollars)		December 31, 2000
Opening balance, January 1	$	106,260
Adjustments to opening balance		(548)
	$	105,712

The adjustment to the opening balance relates to repair and maintenance costs that were agreed to prior to the establishment of the Agency.

14. CONTINGENCIES:

Litigation

The Agency is defendant in a number of lawsuits. In most instances, these actions relate to the period prior to the establishment of the Agency on November 15, 1993. The outcome of the lawsuits cannot be determined at this time. Losses, if any, will be accounted for in the period of settlement.

15. PROPERTY TRANSFER INITIATIVE:

In 1997, the Province passed legislation requiring the transfer of ownership of water and wastewater facilities from the Agency to municipalities. The Property Transfer Initiative captures all real estate conveyance costs associated with the title transfers. To date, \$4.5 million has been spent and an additional \$1.2 million is expected to be spent and will be recorded in the period of the transfer. The transfers must be completed by the year 2004.

16. RELATED PARTY TRANSACTIONS:

As a result of the relationship of the Agency with the Province, the following related party transactions exist and have been disclosed in the notes to the financial statements:

(a) Transactions with the Ministry of the Environment

(b) Transactions with the Province of Ontario Savings Office

(c) Transactions with the Management Board Secretariat

17. ELECTRONIC OPERATING SYSTEMS WRITE-DOWN:

During the year, the Agency reviewed the value of its fixed assets, Electronic Operating Systems (OCWAware^{TM}) and determined that due to changes in estimates, the Agency no longer anticipates recovering the book value of this asset. With the approval of the Board of Directors, the Agency wrote-down the book value of the asset on December 31, 2000. Any future expenditure on the System will be reflected as an operating expense in the year incurred.

18. COMPARATIVE FIGURES:

Prior years figures have been reclassified where necessary to conform to the current year's presentation.

ONTARIO CLEAN WATER AGENCY 2000

19. SALARIES:

Provincial legislation requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000.00 for OCWA. This disclosure is as follows:

Paul Scott	President and Chief Executive Officer *	$138,221
Sheila Willis	President and Chief Executive Officer **	$131,656
Michael Brady	General Counsel	$124,157
Louise Wickson	Vice President, Finance and Corporate Services	$101,158
Ron Gagnon	Vice President, Operations Eastern/Northern Area	$101,158

*Full year salary; transferred to OCWA at April 25, 2000
**Retired March 31, 2000

Ontario Development Corporation

Management's Responsibility for Financial Information
- Ontario Development Corporation

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by Management and, where appropriate, include amounts based on Management's best estimates and judgments.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets periodically to oversee the financial activities of the Corporation and at least annually to review the financial statements and the external auditor's report thereon.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with the accounting policies described in the notes to the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Peter Spik
Director of Operations
Ontario Development Corporation

July 20, 2000

Auditor's Report

To Ontario Development Corporation
and to the Minister of Economic Development and Trade

I have audited the balance sheet of the Ontario Development Corporation as at March 31, 2001 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

Toronto, Ontario
June 1, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 2001

		March 31 2001 $	March 31 2000 $
		[thousands]	
ASSETS			
Loans receivable	[note 3]	10,618	17,657
Equity investments	[note 3]	1,782	3,096
		12,400	20,753
Cash and short-term deposits		9,503	18,329
Account receivable		476	1,641
Capital assets-industrial parks	[note 5]	-	12,308
Total assets		22,379	53,031
LIABILITIES			
Accounts payable - current		355	1,834
Accounts payable - long term		2,078	1,434
Provision for guarantee losses	[note 3]	1,000	3,587
		3,433	6,855
Guarantees	[note 6]		
INVESTMENT BY THE PROVINCE OF ONTARIO			
Share capital and other net investment		18,946	46,176
Total liabilities and investment by the Province		22,379	53,031

See accompanying notes to financial statements

On behalf of the Board:

Robert Siddall

Chair

Director

ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the Year ended March 31, 2001

		March 31 2001 $	March 31 2000 $
		[thousands]	
INTEREST & INVESTMENT INCOME			
Interest on loans		1,790	2,292
Gains on equity investments		69	430
Interest on short-term deposits		991	1,031
		2,850	3,753
OTHER INCOME/(LOSS)			
Industrial parks (net)	[note 5]	332	(310)
Gross operating income		3,182	3,443
RECOVERY OF CREDIT & INVESTMENT LOSSES	[note 3 and 4]	11,862	16,315
ADMINISTRATION	[note 7]	(4,694)	(5,211)
Net operating income		10,350	14,547

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Statement of Investment by the Province of Ontario
as at March 31, 2001

	March 31 2001 $	March 31 2000 $
	[thousands]	
Investment by the Province, beginning of year:		
Share capital	7,000	7,000
Net investment other than share capital	39,176	79,516
	46,176	86,516
Net investment by (returned to) the Province:		
Operating income	10,350	14,547
Contribution for administration expenses	4,158	4,987
Prior year costs recovered, net of contributions for guarantee and program costs	(2,418)	(3,965)
Repayments/proceeds from loans and investments	(23,432)	(6,991)
Transfer of industrial parks [note 2c and 5]	(10,888)	-
Other repayments	(5,000)	(48,918)
	(27,230)	(40,340)
Investment by the Province, end of year		
Share capital	7,000	7,000
Net investment other than share capital	11,946	39,176
Investment by the Province of Ontario	18,946	46,176

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Statement of Cash Flows
for the Year ended March 31, 2001

	March 31 2001 $	March 31 2000 $
	[thousands]	
LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES		
Loan collections	14,491	18,204
Proceeds from equity and royalty investments	1,366	3,639
Guarantee recoveries net of guarantees honoured	1,957	3,417
Capital asset additions	(226)	(2,876)
Net cash inflow from lending, investing and financial assistance activities	17,588	22,384
FINANCING ACTIVITIES		
Repayments to the Province	(30,850)	(59,874)
Contribution from the Province	4,337	4,420
Net cash outflow from financing activities	(26,513)	(55,454)
OPERATING ACTIVITIES		
Operating cash flow from industrial parks	1,650	1,983
Interest received on short-term deposits	1,016	1,143
Interest collected on loans	1,790	2,292
Administration expenses	(4,694)	(5,211)
Other	337	3,740
Net cash inflow from operating activities	99	3,947
Decrease in cash and short-term deposits	(8,826)	(29,123)
Cash and short-term deposits, beginning of year	18,329	47,452
Cash and short-term deposits, end of year	9,503	18,329

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements
Year Ended March 31, 2001

1. GENERAL

(a) The Development Corporations

In 1996, the Province decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and to wind down their activities over a period of years. The Development Corporations consisted of Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation and Innovation Ontario Corporation. Their primary objective was to encourage and assist the development and diversification of industry in Ontario by providing financial assistance in the form of loans, guarantees and direct ownership.

The portfolios and responsibilities of the Development Corporations were transferred to Ontario Development Corporation during the year ended March 31, 1999.

Since May 1998, the Ontario Development Corporation has used a private-sector asset manager to fulfil its responsibilities for managing and administering its term-loan portfolios (net book value of $10 million at March 31, 2001) and its commercial guarantee portfolios ($5 million at March 31, 2001).

(b) Ontario Development Corporation

Ontario Development Corporation is incorporated with share capital under the *Development Corporations Act*. As an Ontario Crown Corporation, the Corporation is exempt from income taxes under the *Canadian Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

As the Corporation is being wound down, provisions have been made to reduce the carrying value of its assets to their estimated realisable values and to reflect the liabilities at their estimated settlement values. Since the Corporation is a going concern, revenue and expenses are accounted for as incurred.

(b) Revenue recognition

Interest income is recognised on the accrual basis, except for certain loans that permit the borrower to defer interest payments. For these loans, interest income that accrues during the deferred payment period is recognised at the end of the deferral period.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(c) Capital assets - industrial parks

The industrial parks owned by the Corporation were transferred to Management Board of Cabinet during the year. Up until the date of transfer, capital assets in the industrial parks were recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. A depreciation rate from five percent to twenty percent is used for buildings and improvements and a rate of twenty percent is used for equipment.

The transfers were recorded by the Corporation using the net book values as of the dates of transfer and are reported as a return of investment on the Statement of Investment by the Province of Ontario.

(d) Contributions from the Province of Ontario

Contributions from the Province of Ontario are reflected on the Statement of Investment by the Province of Ontario as a component of the Province's net investment, and are not reported as income on the Statement of Operations.

(e) Activities managed and administered

The balance sheet reflects loans and investments made by the Corporation and loans administered by the Corporation for ministries and other agencies where the Corporation has signed the loan agreement. The statement of operations reflects administration expenses for all portfolios administered by the Corporation.

All activities managed and administered by the Corporation are summarized in note 8.

(f) Use of estimates in financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2001

3. PROVISIONS FOR LOSSES

The amounts recorded on the Balance Sheet for loans receivable and equity investments are net of the following provisions:

	March 31 2001 $	March 31 2000 $
	[thousands]	
Loans receivable	3,000	4,708
Equity investments	1,500	2,064
Total	**4,500**	**6,772**

Provision for guarantee losses is recorded on the Balance Sheet as a liability.

4. RECOVERY OF CREDIT AND INVESTMENT LOSSES

Recovery of credit and investment losses for the year ended March 31, 2001 and the year ended March 31, 2000 comprise the following:

	Loans $	Equity Investments $	Venture Guarantees $	Commercial Guarantees $	Total $
			[thousands]		
Recoveries	6,915	719	1,554	866	10,054
Decrease in general provision	1,708	564	657	1,930	4,859
Less write-downs and costs	(1,172)	(1,300)	(51)	(528)	(3,051)
Net Recovery– year ended March 31, 2001	**7,451**	**(17)**	**2,160**	**2,268**	**11,862**
Net Recovery – year ended March 31, 2000	**9,053**	**1,652**	**4,287**	**1,323**	**16,315**

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2001

5. INDUSTRIAL PARKS

The industrial parks owned by the Corporation were transferred to Management Board of Cabinet during the year at their net book values. The combined results of operations of the parks for the year ended March 31, 2001 (up to the dates of transfer) and the year ended March 31, 2000 are as follows:

	March 31, 2001 (to dates of transfer) $	**March 31, 2000** (12 months) $
	[thousands]	
Rental revenue	1,952	5,770
Realty taxes billed to tenants and other income	133	2,624
Depreciation	(924)	(2,112)
Other operating expenses *	(829)	(6,592)
Net income (loss)	**332**	**(310)**

* The comparative figure for the year ended March 31, 2000 includes provisions for severance payments to employees totalling $558.

The combined capital assets of the parks as at March 31, 2001 after the transfers, and as at March 31, 2000 are as shown below.

	March 31 2001 Net $	**March 31 2000 Net $**
	[thousands]	
Land	-	349
Buildings and improvements	-	11,942
Equipment	-	17
	-	**12,308**

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2001

6. CONTINGENT LIABILITIES FOR GUARANTEES

The Corporation has guaranteed the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. Under the guarantee programs administered for ministries and other agencies of the Province, the funding for guarantees honoured is provided by those ministries and agencies. See also notes 3, 4 and 8.

Contingent liabilities for loan guarantees as at March 31, 2001 and March 31, 2000 are as follows:

	March 31 2001 $	March 31 2000 $
	[thousands]	
Ventures program	206	1,457
Commercial guarantees	5,400	12,832
	5,606	**14,289**

Guarantees under the Ventures program mature within the year. Commercial guarantees mature between 2001 and 2010.

7. ADMINISTRATION EXPENSES

Administration expenses for the year ended March 31, 2001 and the year ended March 31, 2000 are as follows:

	March 31 2001 $	March 31 2000 $
	[thousands]	
Salaries and benefits	625	937
Transportation, communication and supplies	33	56
Asset management services [note 1a]	3,869	3,936
Other services	167	282
	4,694	**5,211**

The Corporation provides pension benefits for its employees through participation in the Public Service Pension Fund and The Ontario Public Service Employees' Union Pension Fund. The Corporation's share of contributions to the pension plans for the year ended March 31, 2001 was $52,000 [year ended March 31, 2000 - $109,000] and is included above as benefits.

The Province funds administration expenses paid by the Corporation.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
Year Ended March 31, 2001

8. ACTIVITIES MANAGED AND ADMINISTERED BY THE CORPORATION

In addition to managing its own affairs, the Corporation administers loans, debentures, equity investments and grants on behalf of other ministries and agencies of the Province. The activities of the Corporation are summarised in the following schedule.

	March 31 2001 $	March 31 2000 $
	[thousands]	
Loans and investments as reported on balance sheet:		
Loans receivable (net of provisions)	10,618	17,657
Equity investments (net of provisions)	1,782	3,096
Industrial Parks	-	12,308
	12,400	33,061
Loans guaranteed	5,606	14,289
Total loans, investments and guarantees of the Corporation	18,006	47,350
Portfolios administered for ministries & other agencies: (no provisions are recorded by the Corporation)		
Loans receivable where the Corporation has not signed the loan agreement	33,279	55,374
Loans guaranteed	-	9,507
Repayable grants/conditional loans	15,022	18,084
Total portfolios administered for ministries and other agencies	48,301	82,965
Total portfolios managed and administered	**66,307**	**130,315**

9. COMPARATIVES

The 2000 comparatives have been reclassified to conform to the 2001 financial statement presentation.

Provincial legislation requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000. For the Ontario Development Corporation, this disclosure is as follows:

Peter Spik	Director of Operations	$ 102,308

ONTARIO LOTTERY AND GAMING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR ANNUAL REPORTING

Management of the Corporation is responsible for the preparation of the consolidated financial statements and all other information included in this report. This responsibility includes the selection of appropriate accounting principles as well as making informed judgements and estimates in accordance with generally accepted accounting principles.

The Corporation maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that Corporation's assets are properly safeguarded. Grant Thornton LLP and KPMG LLP, the Corporation's independent auditors appointed by the Board of Directors, are responsible for auditing the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements.

The consolidated financial statements have been reviewed and approved by the Board of Directors and its Audit and Risk Management Committee. This Committee meets from time to time with management and the auditors who have direct access to the Committee.

Barbaro

Ron D. Barbaro
Chair and Chief Executive Officer

Tom Dalton
Chief Financial Officer and
Senior Vice President, Finance and
Administration

AUDITORS' REPORT

To the Board of Directors of Ontario Lottery and Gaming Corporation
and to the Minister of Tourism, Culture and Recreation

We have audited the consolidated balance sheet of Ontario Lottery and Gaming Corporation as at March 31, 2001 and the consolidated statements of operations, net income to the Province of Ontario, cash flows, changes in Due to Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2000 are comprised of Ontario Casino Corporation and Ontario Lottery Corporation which were reported on by KPMG LLP and Grant Thornton LLP, respectively.

KPMG LLP
Chartered Accountants

Toronto, Canada
May 18, 2001

Grant Thornton LLP
Chartered Accountants

Sault Ste. Marie, Canada
May 18, 2001

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED BALANCE SHEET

As at March 31, 2001
(in thousands of dollars)

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 463,325	$ 493,180
Accounts receivable	44,001	43,355
Prepaid expenses and other	34,842	39,318
	542,168	575,853
Pre-opening and deferred development expenditures (Note 3)	90,623	77,723
Loans receivable (Note 4)	57,307	62,447
Capital assets (Note 5)	1,216,460	1,117,285
Assets contributed to Chippewas of Mnjikaning and deferred charges (Note 6)	17,257	17,401
Cash and short-term investments held for First Nations (Note 7)	2,687	410,098
	$ 1,926,502	**$ 2,260,807**
Liabilities and Provincial Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 213,748	$ 223,291
Due to operators (Note 8)	57,460	43,600
Due to Chippewas of Mnjikaning (Note 8)	11,977	4,238
Due to Government of Canada	36,836	18,366
Deferred revenues	8,415	12,262
Current portion of long term debt (Note 9)	6,856	9,044
	335,292	310,801
Due to First Nations (Note 7)	-	410,098
Long term debt (Note 9)	43,656	6,331
Provincial equity:		
Due to Province of Ontario	266,247	341,585
Reserves (Note 2)	115,359	90,082
Equity in capital assets	1,165,948	1,101,910
	1,547,554	1,533,577
	$ 1,926,502	**$ 2,260,807**

Commitments (Notes 4, 8 and 10)
Contingencies (Note 11)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

On behalf of the Board:

Barbaro

Ron D. Barbaro, Chair

Joanne De Laurentiis, Director

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2001
(in thousands of dollars)

	2001	2000
Revenues:		
Lotteries	$ 2,157,159	$ 2,201,413
Commercial casinos	1,832,797	2,073,353
Charity casinos	313,906	67,306
Racetrack slot operations	1,035,474	362,814
	5,339,336	**4,704,886**
Direct operating expenses:		
Lotteries	1,449,998	1,469,489
Commercial casinos	1,382,451	1,413,371
Charity casinos	188,748	45,235
Racetrack slot operations	509,845	182,697
	3,531,042	**3,110,792**
Income before the undernoted:	**1,808,294**	**1,594,094**
Interest and other income, net	84,487	69,930
Net income	**$ 1,892,781**	**$ 1,664,024**

Segmented information (Note 12)

See accompanying notes to consolidated financial statements.

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED STATEMENT OF NET INCOME TO THE PROVINCE OF ONTARIO

Year ended March 31, 2001
(in thousands of dollars)

	2001	2000
Net income	**$ 1,892,781**	**$ 1,664,024**
Plus Win tax (Note 14)	366,558	403,346
Less Casino Rama net income	(105,576)	(179,892)
Net income to the Province of Ontario	**$ 2,153,763**	**$ 1,887,478**

See accompanying notes to consolidated financial statements.

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2001
(in thousands of dollars)

	2001	2000
Cash derived from (applied to):		
Operations:		
Net income	$ 1,892,781	$ 1,664,024
Amortization	179,588	147,411
Loss on disposal of capital assets	2,470	1,157
Unrealized foreign exchange loss (gain)	815	(834)
Change in non-cash operating working capital	30,509	(19,561)
	2,106,163	1,792,197
Financing:		
Repayments to Windsor Casino Limited	-	(21,922)
Increase in long term debt	43,656	-
Repayments of long term debt	(9,334)	(9,247)
	34,322	(31,169)
Investing:		
Pre-opening and deferred development expenditures	(46,543)	(79,635)
Loans receivable	5,140	(63,684)
Capital expenditures, net	(249,144)	(435,343)
Proceeds on disposal of capital assets	3,626	313
Deferred charges	(1,928)	998
	(288,849)	(577,351)
Other:		
Payments to Province of Ontario	(1,799,815)	(938,771)
Retroactive change in revenue recognition method for Instant Games	-	(13,100)
Distributions to First Nations	(489,087)	(141,537)
Cash and short-term investments held for First Nations	407,411	-
	(1,881,491)	(1,093,408)
Increase (decrease) in cash and cash equivalents	(29,855)	90,269
Cash and cash equivalents, beginning of year	493,180	402,911
Cash and cash equivalents, end of year	**$ 463,325**	**$ 493,180**
Supplemental disclosure of cash flow information:		
Cash interest received	$ 28,063	$ 18,301
Cash paid for interest	2,892	1,948

See accompanying notes to consolidated financial statements.

ONTARIO LOTTERY AND GAMING CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN DUE TO PROVINCE OF ONTARIO

Year ended March 31, 2001
(in thousands of dollars)

	2001	2000
Net income	$ 1,892,781	$ 1,664,024
Add (deduct):		
Capital expenditures, net	(243,048)	(433,873)
Amortization of capital assets	143,873	123,644
Repayments of long term debt, net of unrealized foreign exchange loss (gain)	(8,519)	(10,081)
Increase in long term debt	43,656	-
Distributions to First Nations	(78,989)	(141,537)
Transfers to reserves, net		
Capital renewals reserve	(9,797)	(6,012)
Operating reserve	(12,668)	(14,845)
Severance reserve	(2,812)	(2,564)
	(168,304)	(485,268)
Current year amount due	1,724,477	1,178,756
Payments to Province of Ontario	(1,799,815)	(938,772)
Amount due less payments	(75,338)	239,984
Due to Province of Ontario, beginning of year	341,585	101,601
Due to Province of Ontario, end of year	**$ 266,247**	**$ 341,585**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY IN CAPITAL ASSETS

Year ended March 31, 2001
(in thousands of dollars)

	2001	2000
Balance, beginning of year	**$ 1,101,910**	**$ 781,600**
Capital expenditures, net	243,048	433,873
Amortization of capital assets	(143,873)	(123,644)
Repayments of long term debt, net of unrealized foreign exchange loss (gain)	8,519	10,081
Increase in long term debt	(43,656)	-
Balance, end of year	**$ 1,165,948**	**$ 1,101,910**

See accompanying notes to consolidated financial statements.

NTARIO LOTTERY AND GAMING CORPORATION
TES TO CONSOLIDATED FINANCIAL STATEMENTS
ar ended March 31, 2001
ular amounts in thousands of dollars)

Effective April 1, 2000 the *Ontario Lottery and Gaming Corporation Act, 1999* came into force. That *Act* provided that, on April 1, 2000, all rights, property and assets of the Ontario Lottery Corporation (OLC) and the Ontario Casino Corporation (OCC) became the rights, property and assets of the Ontario Lottery and Gaming Corporation (the Corporation), and that the Corporation became liable to pay and discharge all the debts, liabilities and obligations of OLC and OCC. The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, commercial and charity casinos and racetrack slot operations in the Province of Ontario.

The comparative amounts in these consolidated financial statements consist of the combined financial position and results of operations of the OLC and OCC as at and for the year ended March 31, 2000, based on the pooling of interests method, and have been reclassified to conform with the presentation adopted in the current year. As at March 31, 2000 the total assets of OCC and OLC were $1,539,293,000 and $731,404,000, respectively and total liabilities were $569,061,000 and $168,059,000 respectively. For the year ended March 31, 2000 revenues were $2,140,114,000 and $2,634,209,000 respectively and net income was $716,557,000 and $947,467,000 respectively.

As part of its mandate the Corporation manages the net assets of Casino Rama for the benefit of the First Nations of Ontario. The excess cash flow derived from this commercial casino is distributed to a First Nations Fund. In addition, the financial results of the charity casinos include the operations of the slot machine facilities at The Great Blue Heron Charity Casino. These financial statements do not include other operations carried out at that charity casino.

Significant accounting policies:

Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation, and its 100% owned subsidiaries, Ontario Gaming Assets Corporation and OLC Services Limited. These subsidiaries were established to purchase capital assets which are leased to the parent corporation.

In addition, the consolidated financial statements combine the financial position and results of operations of the commercial casinos operations at Casino Rama, Casino Niagara and Casino Windsor, and the slot operations at The Great Blue Heron Charity Casino.

Revenue recognition:

Revenue for lottery games, for which results are determined based on a draw, is recognized when the draw takes place. Revenue for instant games is recognized when the ticket is activated for play by the retailer. Revenue for sports wagering games and SUPERSTAR BINGO are recognized when the ticket is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations represents the net win from gaming activities, which is the difference between amounts earned through gaming wagers less any payouts from those wagers. The retail value of accommodation, food, beverage and other items provided on a complimentary basis to customers has been included in revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in the statement of operations under direct operating expenses.

Pre-opening and deferred development expenditures:

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of racetrack slot operations and casinos are deferred and amortized over periods ranging from one to three years, commencing with site opening.

Expenditures, consisting of compensation, consulting and other costs incurred in connection with the development of a management information system are deferred and amortized over a five year period.

(d) Capital assets:

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	10 to 50 years
Furniture and fixtures	3 to10 years
Leasehold improvements	5 to 15 years
Lottery game assets	3 to 10 years
Casino and racetrack slot operation gaming assets	5 years

Capital assets are amortized when brought into operations.

Construction in progress is stated at cost. Costs will be amortized commencing upon completion of the related project. Interest on debt used to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

(e) Assets contributed to Chippewas of Mnjikaning and deferred charges:

Assets contributed to Chippewas of Mnjikaning, consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities, are amortized over the term of the related development and operating agreement. Deferred charges consist primarily of financing fees which are amortized over the term of the related debt.

(f) Foreign currency translation:

Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of operations items are translated at the rate of exchange in effect at the transaction date. Transaction gains and losses are included in interest and other income in the period in which they arise, except for translation gains and losses relating to long term debt, which are deferred and amortized over the estimated term of repayment.

(g) Derivative financial instruments:

Casino Rama Inc. (CRI), a wholly owned subsidiary of the Chippewas of Mnjikaning, is party to certain derivative financial instruments, principally interest rate swap contracts, used to manage its exposure to interest rate fluctuations on the long term debt (note 9). These instruments are not recognized in the financial statements of the Corporation on inception. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest capitalized to construction in progress. The fair value of the interest rate swap contracts was calculated based on market conditions at year end, supplemented with a quote from a financial institution. The fair value represents the amount that would be received (paid) to terminate or replace the contracts. There are no present plans to terminate or replace significant portions of the contracts.

(h) Concentration of credit risk:

The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of cash equivalents, accounts receivable and loans receivable. Cash equivalents consist of deposits with major commercial banks. Accounts receivable includes credit provided to retailers of lottery products and patrons of commercial casinos. Loans receivable consist of loans to racetrack operators and municipalities. The Corporation performs ongoing credit evaluations of retailers, patrons, racetrack operators and municipalities and maintains reserves for potential credit losses.

(i) Financial instruments:

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, cash and short-term investments held for First Nations, accounts payable and accrued liabilities, due to operators, due to Chippewas of Mnjikaning, due to Government of Canada and long term debt. The Corporation determines the fair value of these financial instruments based on discounted cash flow analysis. The fair value of these financial instruments, excluding loans receivable and long term debt approximates carrying amounts due to the short maturities of these instruments. The fair value of loans receivable and long term debt approximates carrying value and is calculated by discounting future cash flows using rates currently available for similar terms and maturity.

(j) Use of estimates:

In conformity with Canadian generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

2. Cash and cash equivalents:

Cash and cash equivalents includes the below noted amounts which are held in separate bank accounts:

	2001	2000
Reserves:		
Capital renewals	$ 48,206	$ 38,409
Operating	50,448	37,780
Severance	16,705	13,893
	115,359	90,082
Prize funds on deposit	21,723	14,557
	$ 137,082	**$ 104,639**

The Corporation has established cash reserves in accordance with various operating agreements for the following purposes:

Capital renewals reserve for capital asset additions other than normal repairs or major renovations.

Operating reserve to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations.

Severance reserve to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of an operator.

Prize funds on deposit are funds set aside representing the gross estimate for prizes outstanding less an estimate for prizes not expected to be claimed by players.

Cash and cash equivalents includes bank term deposits amounting to $85,155,000 (2000 - $83,312,000) at interest rates varying between 4.70% and 5.70% (2000 - 4.25% and 5.25 %).

3. Pre-opening and deferred development expenditures:

Pre-opening and deferred development expenditures consist of:

			2001	2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Pre-opening expenditures:				
Commercial casinos	$ 8,051	$ -	$ 8,051	$ -
Charity casinos	37,760	11,855	25,905	22,609
Racetrack slot operations	72,104	29,690	42,414	46,302
	117,915	41,545	76,370	68,911
Deferred development expenditures	16,253	2,000	14,253	8,812
	$ 134,168	**$ 43,545**	**$ 90,623**	**$ 77,723**

4. Loans receivable:

The Corporation has loaned funds to racetrack operators for the purposes of renovating their buildings to accommodate the Corporation's slot operations. The loans are secured by first mortgages and general security agreements, and generally bear interest at the bank's prime rate, repayable over periods ranging from one to ten years. The amounts will be recovered under an agreed upon formula from withholding of commissions that would otherwise be payable to the racetrack operators. The Corporation has also loaned funds to a municipality for purposes of infrastructure improvements. The amount will be recovered from the municipal commissions otherwise payable.

The Corporation is committed to loan a further $2,600,000 to three racetrack operators and up to a maximum of $3,800,000 to two municipalities.

5. Capital assets:

Capital assets consist of:

	Cost	Accumulated Amortization	2001 Net Book Value	2000 Net Book Value
Land	$ 109,231	$ -	$ 109,231	$ 103,918
Buildings	671,265	64,964	606,301	527,250
Furniture and fixtures	201,083	78,711	122,372	73,782
Leasehold improvements	219,595	101,696	117,899	85,906
Lottery game assets	169,634	153,903	15,731	20,151
Casino and racetrack slot operation gaming assets	313,747	130,556	183,191	184,832
Construction in progress	61,735	-	61,735	121,446
	$ 1,746,290	**$ 529,830**	**$ 1,216,460**	**$ 1,117,285**

During the year the Corporation capitalized interest amounting to $1,791,000 (2000 - nil).

6. Assets contributed to Chippewas of Mnjikaning and deferred charges:

	Cost	Accumulated Amortization	2001 Net Book Value	2000 Net Book Value
Assets contributed to Chippewas of Mnjikaning	$ 26,878	$ 11,154	$ 15,724	$ 17,246
Deferred charges	2,247	714	1,533	155
	$ 29,125	**$ 11,868**	**$ 17,257**	**$ 17,401**

7. Cash and short-term investments held for First Nations:

On June 9, 2000 the Corporation, the First Nations of Ontario and the Province of Ontario entered into a revenue sharing agreement that provides for the distribution of excess cash flow from the operation of Casino Rama. The excess cash flow accumulated to March 31, 2000 was held in a demand account with the Province of Ontario Savings Office and was distributed during the year to the First Nations of Ontario. Under this agreement, the Corporation is required to distribute the excess cash flow from the operation of Casino Rama on a monthly basis.

8. Related party transactions:

(a) Under the terms of the development and operating agreements for each of the commercial casinos and The Great Blue Heron Charity Casino Slot Machine Facilities the operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements.

During the year, the development and operating agreement for Casino Rama was extended to 15 years, expiring July 31, 2011.

Under the terms of the development and operating agreement for Casino Rama, the Chippewas of Mnjikaning receive an annual fee of $4,500,000, adjusted for inflation each year, relating to provision of ongoing operating services. Other Chippewas of Mnjikaning charges amounting to $4,216,000 (2000 - $3,044,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a fifteen year lease expiring July 31, 2016, an annual rental of $667,000 for office and warehouse space is paid to a company related to the Chippewas of Mnjikaning.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in the Right of Canada under a 25-year ground lease. Rent payable under this ground lease is $3,500,000 annually, adjusted annually for inflation and is paid out of the gross revenues of the Casino Rama complex to the Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. Under the terms of an expansion agreement, additional rent of $1,700,000 is payable. During the year $1,173,000 of this additional rent was capitalized to construction in progress.

The Chippewas of Mnjikaning is the developer of the expansion of the Casino Rama complex and included in the amounts Due to the Chippewas of Mnjikaning is $9,314,000 (2000 - $3,105,000) related to the construction.

On April 27, 2001 the operator of Casino Rama was acquired by Penn National Gaming Inc., which assumed all responsibilities and obligations of the operator.

Long term debt:

	2001	2000
Advance from CHC Casinos Canada Limited	$ 6,856	$ 15,375
Bank loan	43,656	-
	50,512	15,375
Less current portion	6,856	9,044
	$ 43,656	**$ 6,331**

(a) CHC Casinos Canada Limited, the operator of Casino Rama, advanced U.S. $25,000,000 toward the initial development of the casino. The advance bears interest at bank prime plus 1% per annum. The outstanding balance as of March 31, 2001 amounted to U.S. $4,375,000 (2000 - U.S. $10,625,000). The operator is entitled to quarterly repayments based on a formula contained in the development and operating agreement for this casino. Interest for the year amounted to $887,000 (2000 - $1,463,000).

The advance from the operator is repayable in U.S. dollars and is therefore exposed to foreign exchange risk. Casino Rama has not entered into any foreign exchange contracts to minimize the exposure to foreign currency fluctuations.

(b) During the year the Corporation entered into an agreement relating to the expansion and renovation of Casino Rama. Under the terms of the agreement, the Chippewas of Mnjikaning are responsible for the development, construction and financing of the project. Total costs of the project have been budgeted at $265,000,000 including capitalized interest, land rent and a cultural centre contribution. In addition, Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, entered into a lending agreement which provides for a $225,000,000 non-revolving term credit facility for the project, of which $43,656,000 has been advanced at March 31, 2001. The development and operating agreement for Casino Rama requires, among other things, that principal and interest payments under the credit facility be made from the gross revenues of the Casino Rama in nineteen principal installments of 2.5% of the initial outstanding amount and a final installment of the outstanding balance. The first installment is due on the last day of the full fiscal quarter following the end of the construction period, as defined.

The credit facility bears interest at bank prime plus 1.5% up to and including June 27, 2001 and between bank prime and bank prime plus 1.5% thereafter; dependent on conditions outlined in the credit facility. Bank prime at March 31, 2001 is 6.75%. Interest paid during the year amounted to $1,815,000. An interest rate swap contract, which matures on June 30, 2007, was entered into with an original notional principal of $125,100,000. The balance under the contract at March 31, 2001 amounted to $41,700,000. The contract results in a fixed rate of 6.68% on the outstanding notional amount. The interest rate risk exposure is minimal at March 31, 2001. The net interest rate receivable or payable under the contract is settled quarterly with the counter party, which is a Canadian chartered bank. The fair value of the interest rate swap contract, which represents the amount that would be paid to terminate or replace the contract as at March 31, 2001, is $6,247,000.

As security for the funds advanced under the credit facility, a first-ranking charge over all of the Casino Rama complex's assets and all assets financed under the facility (with the exception of the certain lands acquired to accommodate expanded parking facilities and other areas) has been granted.

The principal repayments expected to be made over the next five years from the cash flow of the complex are approximately as follows:

2002	$	6,856
2003		22,500
2004		22,500
2005		22,500
2006		22,500

10. Commitments:

(a) Obligations under operating leases:

The Corporation has entered into several leases for property and equipment. The future minimum lease payments are approximately as follows:

2002	$	19,059
2003		13,165
2004		9,130
2005		4,279
2006		2,509
		48,142
Thereafter		14,253
	$	**62,395**

(b) Suppliers:

The Corporation has computer hardware and maintenance agreements with future annual payments of approximately:

2002	$	3,998
2003		1,754
2004		1,671
2005		800
	$	**8,223**

(c) Lotteries

The Corporation has purchase agreements with suppliers for ticket printing services and on-line supplies. A commitment for purchases in amounts up to $19,000,000 is in force until May, 2004.

(d) Casino Windsor

In connection with the acquisition of the land site for the permanent casino complex in Windsor, Ontario, the Corporation agreed to provide the City of Windsor with a fixed return over 20 years with payments commencing May 1, 1998 in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

(e) Casino Niagara

In connection with the acquisition of the land site for the permanent casino complex in Niagara Falls, Ontario, the Corporation agreed to provide the Corporation of the City of Niagara Falls (the City) with a fixed return over 20 years with payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years. In addition the Corporation is obligated to reimburse the City for the Corporation's share of certain infrastructure costs amounting to $3,300,000. The Corporation has also agreed to contribute $15,000,000 towards the acquisition of certain railway lands in Niagara Falls, Ontario. This acquisition has not yet been completed.

On May 20, 1999 the Corporation signed a master development agreement with Falls Management Company for the construction and development of a permanent casino complex in Niagara Falls, Ontario. The cost for the construction and development of the permanent casino complex is estimated at $885,000,000, plus any applicable GST.

(f) Casino Rama

The Corporation is in discussions with the Chippewas of Mnjikaning regarding payments for fire protection services of the Mnjikaning First Nation Fire Department. A draft agreement requires the Corporation to reimburse the Chippewas of Mnjikaning an annual amount equal to 75% of the Fire Department's annual operating budget, including capital expenditures as defined in the agreement, through July 31, 2011.

(g) Charity Casinos

The Corporation is committed to the construction of a charity casino in eastern Ontario at an estimated cost of $54,000,000.

(h) Racetrack Slot Operations

As at March 31, 2001 the Corporation is committed to the establishment of a further three racetrack slot operations at an estimated cost of $21,100,000.

11. Contingencies:

(a) The Corporation is from time to time involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the statement of operations in the period in which the settlement occurs.

(b) A lease agreement between the Corporation and Maple Leaf Entertainment Inc. for the interim casino complex in Niagara Falls, Ontario, provides that the Corporation shall repair any damage caused by the removal of gaming equipment and other trade fixtures. The nature and expected costs of this removal of assets are not determinable at this time. Accordingly, no accrual for these costs has been provided for in the financial statements. The Corporation is not required to restore the premises to its original state when the lease expires.

12. Segmented information:

					2001	**2000**
Sector Activity	Lotteries	Commercial Casinos	Charity Casinos	Racetrack Slot Operations	Total	Total
Revenues:						
Lotteries	$ 2,157,159	$ -	$ -	$ -	$ 2,157,159	$ 2,201,413
Slots	-	1,318,531	255,776	1,034,656	2,608,963	1,920,571
Tables	-	457,209	50,435	-	507,644	524,476
Non-gaming	-	159,476	12,409	818	172,703	167,622
	2,157,159	1,935,216	318,620	1,035,474	5,446,469	4,814,082
Less promotional allowances	-	102,419	4,714	-	107,133	109,196
	2,157,159	**1,832,797**	**313,906**	**1,035,474**	**5,339,336**	**4,704,886**
Operating expenses:						
Non-gaming	-	129,579	14,335	1,888	145,802	132,794
Gaming and lottery operations	86,874	282,792	69,489	80,998	520,153	421,132
Lottery prizes	1,085,335	-	-	-	1,085,335	1,090,077
Commissions	154,913	-	12,776	243,644	411,333	249,855
Marketing and promotion	38,513	197,143	15,624	66,107	317,387	230,448
Operators' fees (Note 8)	-	102,276	3,388	-	105,664	124,739
Amortization	13,490	93,302	24,502	48,294	179,588	147,411
General and administration	24,857	96,412	15,604	30,294	167,167	130,668
Facilities	-	86,526	14,146	20,964	121,636	88,130
Win tax (Note 14)	-	355,014	11,544	-	366,558	403,346
Payments to Government of Canada (Note 15)	46,016	39,407	7,340	17,656	110,419	92,192
	1,449,998	**1,382,451**	**188,748**	**509,845**	**3,531,042**	**3,110,792**
Revenues less expenses	**707,161**	**450,346**	**125,158**	**525,629**	**1,808,294**	**1,594,094**
Interest and other income, net	16,115	54,683	3,702	9,987	84,487	69,930
Net income	**$ 723,276**	**$ 505,029**	**$ 128,860**	**$ 535,616**	**$ 1,892,781**	**$ 1,664,024**

13. Pension plans:

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was $5,167,000 (2000 - $8,850,000).

The operators of the commercial casinos have created defined contribution pension plans for their salaried, hourly and executive employees. The casinos are required to contribute 2% of an employee's base earnings under the salaried and hourly pension plans and 3% of an employee's base earnings under the executive pension plans. Employee basic contributions of up to 2% for the hourly pension plans and up to 3% of base earnings for the salaried and executive pension plans are permitted. The casino matches the basic contributions made by an employee. Employee voluntary contributions of up to 12% of base earnings under the hourly pension plans, up to 10% of base earnings under the salaried pension plans and up to 9% of base earnings for the executive pension plans are permitted. The pension expense for the year amounted to $13,688,000 (2000 - $13,344,000).

14. Win tax:

The Corporation remits win tax to the Province of Ontario equal to 20% of gaming revenue from commercial casinos and the slot machine facilities at The Great Blue Heron Charity Casino.

15. Payments to Government of Canada:

The Corporation made the following payments to the Government of Canada:

	2001	2000
Payments on behalf of the Province of Ontario	$ 21,314	$ 20,635
Goods and Services Tax	89,105	71,557
	$ 110,419	$ 92,192

(a) Payment on behalf of the Province of Ontario:

The provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

(b) Goods and Services Tax:

Goods and Services Tax (GST) payments are made under a specific formula. This tax is in lieu of the collection of GST on lottery ticket sales and gaming revenue from the consumer. In addition, the Corporation also pays GST on certain expenditures. These payments are not recoverable.

As a provincial agency, the OLGC complies with the province's *Public Sector Disclosure Act, 1996*. The Act requires government agencies to disclose on an annual basis, the names, positions, salaries and taxable benefits of employees paid $100,000 or more a year. The list for 2000 with salaries and benefits, respectively is as follows:

Name	Position	Salary	Benefits
Rod Bailey	General Manager	$121,514.75	$ 299.04
Ron D. Barbaro	Chair & Chief Executive Officer	349,137.52	3,664.61
Kenneth Barnett	Regional Manager	120,836.92	2,467.81
Lisa Bell-Murray	Director, Corporate Accounting	124,664.95	324.72
Allan Berdowski	Sr. V.P., Lotteries	196,219.47	10,133.03
David Billingham	Supervisor, Technical Services	139,048.99	133.53
Bart Calderone	Director, Financial Planing	115,490.69	332.65
Antonio Carvalho	V.P., Administration & Procurement	140,337.75	8,464.05
Mona Crawford	Director, Internet Development	100,352.94	241.56
James Cronin	Director, Corporate Communications	141,678.36	311.16
Earl Dalton	Sr. V.P., Finance & Administration	198,814.72	11,122.30
Wayne Deans	Director, Internal Audit	112,512.03	295.20
Francesco Ferrara	Senior Legal Counsel	129,921.02	258.72
Walter Fioravanti	V.P., Human Resources	166,016.26	9,448.43
Robert Frair	Project Director, ERM	107,808.03	280.80
Suellen Glenat	Director, Client Support & Consulting Services	102,690.00	8,564.10
Mark Henderson	Regional Manager	105,569.15	270.84
Bob Kozniuk	V.P., Charity & Aboriginal Casinos	177,852.00	367.20
Gunars Laivenieks	Senior Development Manager	110,220.38	304.09
Phil Lamoureux	Project Manager	102,735.12	0.00
Robert Locke	Regional Manager	109,604.89	2,267.97
Robert Longman	Key Account Manager	136,439.37	316.80
David Maddocks	Senior Project Manager	124,636.80	$ 2,873.59
Mark Magee	General Manager	102,135.58	265.22
Thomas Marinelli	Chief Technology Officer	127,776.24	331.20
Paul Micucci	V.P., Racetrack Operations & Dev.	189,617.73	2,621.34
David Myers	V.P., Sales	129,543.70	2,582.89
Paul Newton	General Manager	126,600.87	262.26
Michael Nieder	V.P., Information Technology	181,431.33	10,141.09
Brian Palmer	Director, Process & Implementation	103,236.66	270.72
Giacomo Pastore	Mgr., Municipal & Economic Development	112,185.30	908.90
Ingrid Peters	V.P., Legal Services	173,293.62	9,441.42
Mike Redivivo	General Manager	105,371.38	252.27
Matthew Sepkowski	Director, Marketing (Racetracks & Casinos)	114,860.40	245.49
Geoff Smith	General Manager	105,842.69	255.44
Adriana Tomie	Director, Financial Services	124,664.88	324.72
John Wisternoff	V.P., Marketing	129,543.70	5,379.88
Brian Wood	Chief Operating Officer	248,565.97	8,674.65
Georges Yammine	Regional Manager	108,013.20	9,505.77
Jackie Zelisney	General Manager	100,457.62	163.58

Ontario Northland Transportation Commission

Management's Responsibility

The Ontario Northland Transportation Commission's management is responsible for the integrity and fair presentation of the consolidated financial statements and other information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with the consolidated financial statements.

The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The consolidated financial statements have been reviewed by the Commission's Audit and Finance Committee and have been approved by its Governing Board of Commissioners. In addition, the consolidated financial statements have been audited by the Ontario Provincial Auditor, whose report follows.

R.R. Poulin
Acting CEO

R.S. Hutton
Acting President

North Bay, Ontario
April 14, 2001

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditors' Report

**To the Ontario Northland Transportation Commission
and to the Minister of Northern Development and Mines**

I have audited the consolidated balance sheet of Ontario Northland Transportation Commission as at December 31, 2000 and the consolidated statements of contributed surplus, operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J.R. McCarter, CA
Assistant Provincial Auditor

Toronto, Ontario
April 14, 2001

Ontario Northland Transportation Commission
Consolidated Balance Sheet
(dollars in thousands)

December 31	2000	1999
Assets		
Current		
Accounts receivable (Notes 2 and 7)	$ 31,321	$ 22,421
Inventory	9,845	9,565
Prepaid expenses	319	830
	41,485	32,816
Self-Insurance Fund (Notes 1 and 7) **- Market value $2,871;** (1999 - $4,333)	2,808	4,327
Long-term receivables (Note 13)	-	2,864
Investment in capital assets (Schedule 1) (Note 10)	248,275	243,157
Accrued Pension Benefit Asset (Note 3)	124,724	12,382
	$ 417,292	$ 295,546
Liabilities and Province of Ontario Equity		
Current		
Bank loans and overdrafts (Note 2)	$ 12,859	$ 5,656
Accounts payable and accrued liabilities	22,045	17,797
Current portion of long-term debt (Note 4)	2,004	1,707
Deferred revenue	346	582
	37,254	25,742
Provision for Self-Insurance (Notes 1 and 7)	2,808	4,327
Long-term debt (Note 4)	68,023	68,475
Accrued Non-Pension Benefit Obligation (Note 3)	48,998	-
	157,083	98,544
Contingencies/Commitments (Note 9)		
Province of Ontario Equity		
Retained earnings	234,890	172,714
	260,209	197,002
	$ 417,292	$ 295,546

Approved on behalf of the Commission:

Chair and Acting CEO

Acting President

Ontario Northland Transportation Commission
Consolidated Statement of Contributed Surplus
(dollars in thousands)

For the year ended December 31	2000	1999
Balance - beginning of year	$ **24,288**	$ 24,000
Add: Contributions from Province of Ontario	**1,742**	1,092
Less: Amortization	**711**	804
Balance - end of year	$ **25,319**	$ 24,288

Ontario Northland Transportation Commission
Consolidated Statement of Operations and Retained Earnings
(dollars in thousands)

For the year ended December 31	2000	1999
Operating Revenues (Schedule 2)	$ 155,577	$ 144,094
Operating Expenses (Schedule 2)	135,517	130,505
Operating Income	20,060	13,589
Other Expenses		
Amortization (Schedule 2)	12,109	10,421
Derailment costs (Note 7)	2,500	-
Investment and other income	(8)	(10)
Interest expense (Schedule 2)	2,369	1,569
Gain on sale of capital assets (Schedule 2)	(1,296)	(372)
Write-down of real property (Note 15)	2,303	-
	17,977	11,608
Net income for the year	2,083	1,981
Retained earnings, beginning of year	172,714	170,733
Change in accounting policy (Note 3)	60,093	-
Retained earnings, end of year	$ 234,890	$ 172,714

Ontario Northland Transportation Commission
Consolidated Statement of Cash Flows

(dollars in thousands)

For the year ended December 31		2000		1999
Cash provided by (used in)				
Operating activities				
Net income for the year	$	**2,083**	$	1,981
Items not affecting cash				
Amortization (Schedule 2)		**12,109**		10,421
Gain on disposal of capital assets		**(1,296)**		(372)
Write-down of real property and other		**945**		-
		13,841		12,030
Changes in non-cash working capital balances				
Accounts receivable		**(6,036)**		(4,301)
Inventory		**(280)**		1,452
Prepaid expenses		**511**		(305)
Accounts payable and accrued liabilities		**4,248**		4,572
Deferred revenue		**(236)**		140
		12,048		13,588
Investing activities				
Investment in capital assets		**(19,356)**		(37,902)
Proceeds from self-insurance fund		**3,000**		-
Proceeds from sale of capital assets		**2,011**		940
(Decrease) increase in other assets		**(294)**		870
		(14,639)		(36,092)
Financing activities				
Reduction of long-term debt (Note 4)		**(1,755)**		(487)
Proceeds from long-term debt (Note 4)		**-**		21,817
Derailment costs paid out of self-insurance fund		**(3,000)**		-
Contributions from the Province of Ontario		**1,742**		1,092
Bank loans and overdrafts		**7,203**		82
Other liabilities		**(1,599)**		-
		2,591		22,504
Change in cash and cash equivalents during the year		**-**		-
Cash and equivalents, beginning of year		**-**		-
Cash and equivalents, end of year	$	**-**	$	-
Supplemental disclosure of cash flow information:				
Interest paid during the year and included in net income	$	**2,369**	$	1,569
Non-Cash investing and financing activity:				
Assumption of long-term debt to acquire assets	$	**1,600**	$	-

Ontario Northland Transportation Commission
Consolidated Schedule of Investment in Capital Assets
Schedule 1

(dollars in thousands)

For the year ended December 31	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Rail Services				
Roadway	$ 184,950	$ 67,471	**$ 117,479**	$ 109,165
Buildings	35,399	11,733	**23,666**	24,242
Equipment	74,052	31,958	**42,094**	43,451
Under construction	2,890	-	**2,890**	6,157
Telecommunications				
Equipment	114,282	69,745	**44,537**	42,463
Buildings	3,522	1,506	**2,016**	2,034
Under construction	4,502	-	**4,502**	1,926
Marine Services (Owen Sound)				
Vessels	12,959	11,231	**1,728**	2,055
Land and buildings	126	49	**77**	79
Equipment	280	263	**17**	28
Bus services				
Coaches	8,641	3,288	**5,353**	4,848
Under construction	-	-	**-**	164
Marine Services (North Bay and Moosonee)				
Vessels	385	274	**111**	122
Buildings	1	1	**-**	-
Development				
Land and buildings	5,607	2,452	**3,155**	5,773
Land held for resale	650	-	**650**	650
	$ 448,246	$ 199,971	**$ 248,275**	$ 243,157

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2

(dollars in thousands)

For the year ended December 31	2000	1999
Rail Services		
Sales revenue (Note 6)	$ 61,058	$ 55,973
Government reimbursement (Note 5)	14,423	9,531
Operating revenue	75,481	65,504
Operating expense	65,353	65,042
Operating income	10,128	462
Amortization	6,702	5,372
Gain on sale of capital assets	(258)	(34)
Interest expense	1,978	1,409
Net income (loss) from operations	1,706	(6,285)
Telecommunications		
Sales revenue (Note 6)	60,190	58,782
Operating expense	44,254	40,008
Operating income	15,936	18,774
Amortization	4,476	4,131
(Gain) loss on sale of capital assets	(2)	2
Net income from operations	11,462	14,641
Bus Services		
Sales revenue	9,242	8,720
Operating expense	7,840	8,046
Operating income	1,402	674
Amortization	510	550
Gain on sale of capital assets	(114)	(146)
Net income from operations	1,006	270
Marine Services (Owen Sound)		
Sales revenue	5,410	5,488
Government reimbursement (Note 5)	904	890
Operating revenue	6,314	6,378
Operating expense	6,452	6,091
Operating (loss) income	(138)	287
Amortization	32	41
Net (loss) income from operations	(170)	246

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2

(dollars in thousands)

For the year ended December 31	2000	1999
Marine Services (Pelee Island) (Note 14)		
Sales revenue	**3,611**	3,459
Operating expense	**3,311**	3,159
Net income from operations	**300**	300
Marine Services (Moosonee)		
Sales revenue	**154**	142
Government reimbursement (Note 5)	**65**	50
Operating revenue	**219**	192
Operating expense	**225**	189
Net (loss) income from operations	**(6)**	3
Air Service Contracts		
Government reimbursement (Notes 5 and 8)	**-**	694
Operating expense	**152**	518
Net (loss) income from operations	**(152)**	176
Rental Properties		
Sales revenue	**520**	365
Operating expense	**428**	331
Operating income	**92**	34
Amortization	**118**	25
Gain on sale of capital assets	**(165)**	(194)
Net income from operations	**139**	203
Administration		
Operating expense	**7,502**	7,121
Operating loss	**(7,502)**	(7,121)
Amortization	**271**	302
Gain on sale of capital assets	**(757)**	-
Interest expense	**391**	160
Net loss from operations	**(7,407)**	(7,583)

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2

(dollars in thousands)

For the year ended December 31	2000	1999
Total Operations		
Sales revenue	**140,185**	132,929
Government reimbursement (Note 5)	**15,392**	11,165
Operating revenue	**155,577**	144,094
Operating expense	**135,517**	130,505
Operating income	**20,060**	13,589
Amortization	**12,109**	10,421
Gain on sale of capital assets	**(1,296)**	(372)
Interest expense	**2,369**	1,569
Net income from operations	**$ 6,878**	$ 1,971

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2000

Nature of Business

The Ontario Northland Transportation Commission, an Operational Enterprise of the Ontario government, delivers a variety of commercial and non-commercial services, including rail freight, passenger rail, bus, marine transportation and telecommunications.

Going Concern

These financial statements have been prepared on a going concern basis. On December 4, 2000, the Commission accepted the recommendations of a Service Improvement Study performed by an independent consulting firm. On December 13, 2000, the Minister of Northern Development and Mines accepted the recommendations of the Commission and directed it to implement the recommendations in two phases.

Phase I, which was to begin immediately, was to include the following:

Pursue the divestment of ONTelcom, the telecommunications division of the Commission

Pursue the divestment of the Cochrane Station Inn

Reorganize the Owen Sound Marine Services division (Owen Sound Transportation Company, Limited) into a separate agency

Pursue improvements to the Bus Services division

Enhance tourism opportunities for the Polar Bear Excursion passenger train operation

Phase II, which is to begin in the summer of 2001, is to include the following:

Pursue divestment of the Commission's rail freight services

Pursue alternate delivery options for the passenger train services (Northlander, Little Bear and Polar Bear)

As of the date of financial statement preparation there are plans to adopt the above noted actions, however, these financial statements do not reflect any adjustments that might be necessary to assets or liabilities of the Commission such as costs of restructuring or disclosure that may be appropriate should it carry out one or more of the above noted actions.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2000

Employee Future Benefits

Effective January 1, 2000, the Commission adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook section 3461, Employee Future Benefits. The new recommendations have been adopted on a retroactive basis without restatement. The impact of prior years has been reflected as an adjustment to opening retained earnings.

Pension Plans

The Commission maintains a defined benefit pension plan for its employees. The obligations under the plan are determined using the accrued benefit method reflecting projected benefits for services rendered to date. Pension fund assets are valued using current market values. The Accrued Pension Benefit Asset or Obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practice using managements' best estimates.

Non-Pension Benefit Plans

The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. Commencing January 1, 2000 the Commission also accrues Worker's Compensation benefits in this manner.

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and experience gains or losses. Experience gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees covered by the plans. These expenses are recorded in the year in which employees render services to the Commission (See Note 3).

Basis of Accounting

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc, O.N. Tel Inc., Star Transfer Limited, The Owen Sound Transportation Company, Limited, Air-Dale Limited and Nipissing Central Railway Company.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2000

Revenue Recognition

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Revenues from other sources are recognized when earned, with the exception of federal government reimbursements. Reimbursements, upon audit verification of yearly losses are recorded on a cash basis. Advance payments made prior to final determination of losses are recorded on an accrual basis. Telecommunications toll revenue adjustments are recognized when measurement is reasonable.

Inventory

With the exception of used rail, all materials and supplies are valued at average cost. Used rail is shown at unamortized book value determined at the time of retirement.

Investment in Capital Assets and Amortization

Capital assets are stated at acquisition cost. Amortization is calculated using the straight-line method over the estimated service lives of the assets.

The estimated service lives for principal categories of assets are as follows:

Roadway - main line and branches	20 to 50 years
Railway diesel locomotives	25 years
Railway cars	33 years
Marine vessels	20 to 30 years
Buildings	50 years
Telecommunications equipment	15 years
Vehicles	3 years
Computer equipment	5 years
Coaches	12 years

The Province of Ontario reimburses the Commission for the cost of certain capital assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to contributed surplus. Annual amortization on these capital assets is recorded as a reduction of contributed surplus.

Self-Insurance Fund

The self-insurance fund assets are stated at acquisition cost.

Income Taxes

As an agency of the Province of Ontario, the Commission is exempt from income taxes. This exemption extends to its wholly owned subsidiaries, and accordingly no tax provision is recorded in these financial statements.

Ontario Northland Transportation Commission
Summary of Significant Accounting Policies

December 31, 2000

Accounting Estimates	Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

1. Self-Insurance Fund

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a $100,000 premium paid by the Commission in addition to investment income earned on fund assets. Fund assets are comprised of investments in federal and provincial government bonds and cash in the amount of $1,808,000 and the Commission charged an additional $1,000,000 to operations in fiscal 2000 that will be paid into the fund in fiscal 2001.

Interest rates on the above mentioned bonds vary from 7.10% to 14.25% per annum. Maturity dates on these investments are staggered ranging from January 1, 2001 to October 16, 2006. This fund and the corresponding reserve for self-insurance decreased in fiscal 2000 due to a significant claim against the fund for costs incurred by the Commission as a result of a derailment of one of its freight trains (see Note 7).

2. Operating Line of Credit

The Commission has a demand operating line of credit with a Canadian Chartered Bank, bearing interest at the bank's prime rate less 0.5%. The maximum draws that can be advanced on this operating line are $12,000,000. Included in bank loans and overdrafts at year end are draws on the operating line of $9,600,000 (1999 - $4,200,000). The collateral security on the credit facility agreement is accounts receivable.

Subsequent to year end the Commission has made an application to obtain an Order in Council authorizing the Commission to increase its operating line credit facility to $15 million from its current maximum of $12 million.

3. Employee Future Benefits

As stated previously, the Commission adopted the new recommendations for accounting for employee future benefits. The Commission applied the new recommendations retroactively without restating prior years, by reflecting the change as an adjustment to opening retained earnings. The cumulative effect of adopting the new recommendations as at January 1, 2000, was to increase the opening balance of retained earnings by $60,093,000, increase the opening balance of the accrued pension benefit asset by $107,474,000 and increase the opening balance of the accrued non pension benefit obligation by $47,381,000.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

3. Employee Future Benefits (continued)

The Commission is the trustee for its contributory pension plan, which covers all permanent staff. The pension fund assets primarily include marketable securities, real estate and corporate and government bonds, which are invested by professional investment managers.

Included in the accrued non-pension benefit obligation is worker's compensation benefits in the amount of $11,656,000. This amount has been determined from the most recent available actuarial calculations provided by the Workplace Health & Safety Board as at December 31, 1999. The valuation at December 31, 2000 is not expected to be ready until after the date of financial statement preparation. It is management's opinion that the balance at December 31, 2000 will not be significantly different.

a. Accrued Pension Benefit Assets

	2000	1999
Projected benefit obligations	**$ 327,538,000**	$ 347,136,000
Market value of plan assets	**455,058,000**	407,665,000
Surplus	**127,520,000**	60,529,000
Accrued benefit assets - beginning of year	**12,382,000**	13,318,000
Adjustment related to adoption of new standard	**107,474,000**	-
Recovery/(expense)	**4,574,000**	(3,082,000)
Funding contributions	**294,000**	2,146,000
Accrued benefit assets - end of year	**$ 124,724,000**	$ 12,382,000

b. Accrued Non-Pension Benefit Obligation

	2000	1999
Accrued benefit obligation	**$ 47,381,000**	$ -
Market value of plan assets	**-**	-
Unfunded liability	**47,381,000**	-
Accrued benefit liability - beginning of year	**-**	-
Transitional obligation	**47,381,000**	-
Expense	**3,216,000**	-
Funding contributions	**(1,599,000)**	-
Accrued benefit liability - end of year	**$ 48,998,000**	$ -

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

3. Employee Future Benefits (continued)

c. Components of Net Periodic Pension Benefit Expense (Recovery)

	2000	1999
Current service cost (net of employee contributions)	**$ 5,503,000**	$ 4,631,000
Interest on accrued benefit obligation	**21,009,000**	19,456,000
Expected return on plan assets	**(31,086,000)**	(21,445,000)
Net amortization for the year	**-**	440,000
	$ (4,574,000)	$ 3,082,000

d. Components of Net Periodic Non-Pension Benefit Expense

	2000	1999
Current service cost (net of employee contributions)	**$ 638,000**	$ -
Interest on accrued benefit obligation	**2,578,000**	-
	$ 3,216,000	$ -

e. Weighted Average Assumptions

Discount rate - pension	**7.00**	7.25
Discount rate - non pension	**7.25**	-
Expected long-term rate of return on plan assets	**7.50**	5.75
Rate of compensation increase	**4.00**	4.00
Medical cost increases	**4.50 % to 9.0%**	-

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

4. Long-term Debt

	2000	1999
Loan from Province of Ontario, non-interest bearing with no specific terms of repayment.	**$ 35,208,000**	$ 35,208,000
Loan from Ontario Financing Authority, bearing interest at 5.64% per annum, blended monthly payments of $43,000 for 10 years beginning May 1, 1998.	**3,097,000**	3,430,000
Loan from Ontario Financing Authority, bearing interest at 5.60% per annum, blended monthly payments of $156,000 for 15 years beginning January 1, 2000.	**18,177,000**	19,014,000
Loan from Ontario Financing Authority, bearing interest at 6.37% per annum, blended monthly payments of $109,000 for 15 years beginning September 1, 1999.	**11,991,000**	12,530,000
Vendor take back loan on an asset purchase that bears 0% interest, repayable over 8 years in accordance with the terms of the purchase agreement.	**1,554,000**	-
	70,027,000	70,182,000
Less current portion	**2,004,000**	1,707,000
	$ 68,023,000	$ 68,475,000

Payments required in the next five years and thereafter are as follows:

2001	$ 2,004,000
2002	2,111,000
2003	2,225,000
2004	2,345,000
2005	2,473,000
Thereafter	58,869,000
	$ 70,027,000

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

5. Government Reimbursement

In accordance with a Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission have been designated as non-commercial. The Commission and the Ministry entered into a fixed price contract, which defined the amount of compensation, which the Province of Ontario provided for the year 2000. The provincial government has extended the one time compensation to offset losses on the passenger train services initially paid in 1999. In 2000 these payments which are included below amounted to $4,000,000 (1999 - $3,800,000). In 1999 the provincial government provided one time compensation to offset losses on the provision of air services to communities affected by the closure of the Air Services division (norOntair), in the amount of $692,000.

A portion of the operating loss of the weekday passenger train service between North Bay and Toronto is reimbursed by the National Transportation Agency of Canada under Section 270 of the Railway Act. The federal government revoked the Railway Act during 1996 and replaced it with the Canada Transportation Act. Negotiations between the Commission and Transport Canada concluded in 1996. The amount of annual reimbursement has been fixed at $2,500,000 for a five year period expiring in 2001. At the date of financial statement preparation the Commission was in negotiations with the federal government to extend the agreement.

Details of Government reimbursement are as follows:

	2000	1999
From Province of Ontario:		
Rail - Passenger Service and Moosonee Branch	$ 11,923,000	$ 7,030,000
Air Service Contracts	-	692,000
Marine Services (Moosonee)	65,000	50,000
Marine Services (Owen Sound)	904,000	890,000
	12,893,000	8,662,000
From Transport Canada:		
Current year's operations	2,500,000	2,500,000
	$ 15,392,000	$ 11,162,000

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

6. Commission Revenues

The Commission's Telecommunications Division has a traffic agreement with Bell Canada that covers all long distance services that either originate within and terminate outside or originate outside and terminate within the Commission's service area. Bell Canada gave notice that they wished to terminate this agreement in 1997. The CRTC determined that the existing agreement be made interim effective January 1, 1998 until a new agreement could be established between both parties. In 1998, Bell Canada filed an application with the CRTC requesting termination of the current agreement with future revenue settlements to be made on the basis of Carrier Access Tariffs (CAT). During fiscal 2000, the CRTC concurred with the Bell Canada application and directed that effective January 1, 1998 revenue settlements be made on CAT based methodology.

During 2000, the Rail Services Division derived 44% (1999 - 49%) of it's revenue from three major customers.

7. Derailment Costs

On March 14, 2000 one of the Commission's freight trains derailed in a remote area of Northeastern Ontario. The train carried, in addition to other commodities, sulphuric acid. The cumulative costs as of December 31, 2000 of the accident were determined to be $8,500,000. Any additional costs that are not covered by the self-insurance or third party insurance are expensed in the period in which they are incurred. The fiscal 2000 expense is determined as follows:

	2000	1999
Total derailment costs	**$ 8,500,000**	$ -
Less: recovered from self-insurance fund	**3,000,000**	-
Less: receivable from third party insurance (net of a $2,000,000 deductible)	**3,000,000**	-
Operating expense recognized during the year	**$ 2,500,000**	$ -

8. Air Service Contracts

The Commission contracted for the provision of alternate transportation for some communities affected by the closure of the Air Services division (norOntair) until other arrangements could be made. This contractual arrangement extended into the second quarter of 1997. Upon completion of this contract, the Commission began the provision of funds directly to some of the affected communities in order that they may arrange alternate modes of transport. These payments may be found in Schedule 2 under the caption Air Service Contracts, and the payments, which originally were expected to end in 1999, will likely end in 2001.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

9. Contingencies/Commitments

Various statements of claim have been issued against the Commission claiming damages. Damages, if any, cannot be estimated at this time and in any event the Commission is of the opinion that these claims would be unfounded or covered by insurance after application of a $2,000,000 deductible. Should any loss result, it would be charged to operations when the amount is ascertained.

In 1998 a claim for $3,000,000 was submitted to the National Transportation Agency for partial reimbursement of the write-down of railway passenger rolling stock. The likelihood of the success of the claim remains not determinable at this time and as a result is not reflected in these financial statements.

The Commission has contractual obligations on a number of operating leases for such items as rail cars, computer equipment, automotive equipment and other. It is managements' opinion that in aggregate the annual cost of these leases is not significant to the Commission as a whole.

10. Government Assistance

Under an agreement dated February 24, 1995 the Commission became eligible to receive $4,250,000 in loan proceeds from the Northern Ontario Heritage Fund Corporation (the Heritage Fund), to assist with the purchases of certain specified capital assets. As at December 31, 2000 a total of $4,179,000 (1999 - $4,179,000) has been received and has been recorded as a reduction of the cost of the capital assets. In accordance with the terms of the agreement the Commission must lease the assets to Algoma Central Railway for a nominal fee of $1 per year. The loan is non-interest bearing and is to be repaid on January 31, 2000, or such later date as the Commission and the Heritage Fund may mutually agree upon ("maturity date"). If the Commission elects in writing within ninety days prior to the maturity date, it may require the Heritage Fund to accept conveyance of title to the assets in full satisfaction of the principal amount of the loan. On October 22, 1999 the Commission expressed, in writing, its desire to elect to have the Heritage Fund accept conveyance of title to the assets in full satisfaction of the loan.

11. Financial Instruments

The Commission's financial instruments consist of cash and term investments of the self insurance fund, accounts receivable, bank loans and overdrafts, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

December 31, 2000

12. Related Party Transactions

During the year, the Commission, as trustee for it's contributory pension plan, charged the ONTC Contributory Pension Fund $343,000 (1999 - $308,000) for financial and administrative support.

During 2000, the Rail Services division (of the Commission) charged the Telecommunications division (of the Commission) $985,000 (1999 - $985,000) for the use right-of-way over Rail Services land. This amount is disclosed as revenue to the Rail Services division and an expense to the Telecommunications division. Management believes that this transaction was consummated on terms no more or less favourable than those that could have been obtained from other third parties.

13. Long-Term Receivables

	2000	1999
Long-term receivables - Amounts recoverable from parties as the result of operational events which will be resolved beyond the next fiscal period.	$ -	$ 2,864,000

14. Marine Services Revenue - Pelee Island

The contract for the provision of marine services to Pelee Island was subject to renewal March 31, 2000. Contract extensions on a yearly basis may be adopted with both parties' agreement. Termination of the contract can also be made with 90 days notice. This notice was not received for 2001 and so the contract will remain in place for a further term ending March 31, 2002.

15. Write-down of Real Property

The process of selling an office building held by the Commission in Kirkland Lake, Ontario began in fiscal 2000. Based on an appraisal performed by an independent firm, it has become evident that the net realizable value of this property has fallen below its carrying value. Accordingly, the cost of the office building is being written down by $2,300,000.

16. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

Ontario Northland Transportation Commission
Statement of Employees Paid in Excess of $100,000

December 31, 2000

Name	Position		Salary		Taxable Benefits
K J Wallace	President and C.E.O.	$	180,300	$	8,934
R S Hutton	Vice President - Corporate Services	$	133,672	$	1,088
S G Carmichael	Vice President - Transportation Services	$	128,950	$	1,088
B R Wheeler	Vice President - O.N. Tel	$	113,430	$	979
K Adams	Captain	$	102,932	$	671
J L Thib	Chief Transportation Officer	$	103,902	$	822
R M Thompson	Counsel	$	108,003	$	903
D J Mills	Manager Train Service and Rules	$	101,724	$	750
M G Marshall	Engineman	$	116,545	$	162
C G Yantha	Engineman	$	105,413	$	162
B R Hofferd	Engineman	$	104,672	$	162
S D Gowlett	Trainman	$	119,139	$	162
L Y Picard	Trainman	$	108,319	$	162
D Church	Trainman	$	103,379	$	162

Prepared under the Public Sector Salary Disclosure Act, 1996

ONTARIO POWER GENERATION INC.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Ontario Power Generation Inc. are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. Ontario Power Generation Inc. chooses accounting principles appropriate to the circumstances. The significant accounting policies followed by Ontario Power Generation Inc. are described in the summary of significant accounting policies contained in Note 3 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to January 30, 2001.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable financial information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluated the effectiveness of these internal controls on an ongoing basis and reported its findings to management and the Audit Committee of the Ontario Power Generation Inc. Board of Directors.

The consolidated financial statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

For the year ended December 31, 2000, the Ontario Power Generation Inc. Board of Directors, through the Audit Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Audit Committee met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Ontario Power Generation Inc.'s financial reporting and the effectiveness of the system of internal controls.

January 30, 2001

Ronald W. Osborne
President and
Chief Executive Officer

Wayne M. Bingham
Executive Vice President and
Chief Financial Officer

Auditors' Report

TO THE SHAREHOLDER OF ONTARIO POWER GENERATION INC.

We have audited the consolidated balance sheets of Ontario Power Generation Inc. as at December 31, 2000 and 1999, the consolidated statements of income (loss), retained earnings (deficit of assets over liabilities) and cash flows of Ontario Power Generation Inc. for the year ended December 31, 2000 and for the nine months ended December 31, 1999, and the consolidated statements of income (loss), retained earnings (deficit of assets over liabilities) and cash flows of the electricity generating business of Ontario Hydro (the Acquired Business) for the three months ended March 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ontario Power Generation Inc. as at December 31, 2000 and 1999, the consolidated results of the operations and cash flows of the Company for the year ended December 31, 2000 and nine months ended December 31, 1999 and the consolidated results of operations and cash flows of the Acquired Business for the three months ended March 31, 1999 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

ERNST & YOUNG LLP
Chartered Accountants
Toronto, Canada
January 26, 2001

ONTARIO POWER GENERATION INC.

Consolidated Statements of Income (Loss)

(millions of dollars except earnings per share)			**Acquired Business** *(notes 1 and 3)*
	Year ended December 31 2000	April 1 to December 31 1999	January 1 to March 31 1999
Revenues	5,978	4,338	1,769
Operating expenses			
Operation, maintenance and administration	2,186	1,770	551
Fuel	1,271	816	335
Power purchased	180	153	45
Depreciation and amortization *(notes 6 and 7)*	764	573	385
Property and capital taxes	379	277	7
	4,780	3,589	1,323
Operating income	1,198	749	446
Interest expense	140	134	545
Income (loss) before income taxes	1,058	615	(99)
Income taxes *(note 4)*			
Current	310	214	-
Future	143	75	-
	453	289	-
Net income (loss)	605	326	(99)
Earnings per common share	2.36	1.27	
Common shares outstanding *(millions)*	256.3	256.3	

See accompanying notes to financial statements

Consolidated Statements of Retained Earnings (Deficit of Assets over Liabilities)

(millions of dollars)			**Acquired Business** *(notes 1 and 3)*
	Year ended December 31 2000	April 1 to December 31 1999	January 1 to March 31 1999
Retained earnings (deficit of assets over liabilities), beginning of period *(note 1)*	291	-	(442)
Net income (loss)	605	326	(99)
Dividends	(205)	(35)	-
Retained earnings (deficit of assets over liabilities), end of period	691	291	(541)

See accompanying notes to financial statements

ONTARIO POWER GENERATION INC.

Consolidated Statements of Cash Flows

(millions of dollars)	**Year ended December 31 2000**	April 1 to December 31 1999	**Acquired Business** *(notes 1 and 3)* January 1 to March 31 1999
Operating activities			
Net income (loss)	**605**	326	(99)
Adjust for non-cash items:			
Depreciation and amortization	**764**	573	385
Deferred pension asset	**(125)**	39	5
Other post employment benefits	**38**	111	(72)
Future income taxes	**143**	75	-
Used nuclear fuel provisions	**27**	14	33
Other	**38**	(16)	(4)
	1,490	1,122	248
Fixed asset removal and nuclear waste management fund	**(414)**	(367)	-
Expenditures on nuclear waste management provisions	**(43)**	(33)	(10)
Changes to other long-term assets and liabilities	**(83)**	(102)	87
Non-cash working capital increase (decrease) due to:			
Accounts receivable	**(38)**	(154)	(134)
Fuel	**136**	(50)	81
Materials and supplies	**(28)**	(32)	20
Accounts payable and accrued charges	**261**	165	206
Cash flow from operating activities	**1,281**	549	498
Investing activities			
Expenditures for property, plant and equipment	**(585)**	(450)	(35)
Purchases of short-term investments	**(335)**	-	-
Proceeds from sales of property, plant and equipment	**16**	33	-
	(904)	(417)	(35)
Cash flow before financing activities	**377**	132	463
Financing activities			
Short-term notes issued	**150**	-	-
Cash from acquired business *(note 1)*	-	146	-
Dividends	**(205)**	(35)	-
Net other financing activities	-	-	(440)
	(55)	111	(440)
Increase in cash and cash equivalents during period	**322**	243	23
Cash and cash equivalents, beginning of period *(note 1)*	**243**	-	123
Cash and cash equivalents, end of period	**565**	243	146

See accompanying notes to financial statements

ONTARIO POWER GENERATION INC.

Consolidated Balance Sheets

(millions of dollars)

	December 31 2000	December 31 1999
Assets		
Current assets		
Cash and cash equivalents *(note 5)*	**565**	243
Short-term investments	**335**	-
Accounts receivable	**968**	930
Fuel	**288**	424
Materials and supplies	**229**	201
	2,385	1,798
Fixed assets *(note 6)*		
Property, plant and equipment	**13,842**	13,285
Less: accumulated depreciation	**910**	383
	12,932	12,902
Other assets		
Deferred pension asset *(note 16)*	**641**	516
Fixed asset removal and nuclear waste management fund *(note 7)*	**781**	367
Long-term accounts receivable and other assets	**52**	27
	1,474	910
	16,791	15,610

See accompanying notes to financial statements

ONTARIO POWER GENERATION INC.

Consolidated Balance Sheets

(millions of dollars)

	December 31 2000	December 31 1999
Liabilities		
Current liabilities		
Accounts payable and accrued charges	**1,406**	1,145
Short-term notes payable *(note 9)*	**150**	-
Long-term debt due within one year *(note 8)*	**204**	4
	1,760	1,149
Long-term debt *(note 8)*	**3,219**	3,422
Other liabilities		
Fixed asset removal and nuclear waste management *(note 7)*	**4,482**	4,235
Other post employment benefits *(note 16)*	**997**	959
Long-term accounts payable and accrued charges	**298**	353
Future income tax liability *(note 4)*	**218**	75
	5,995	5,622
Shareholder's equity		
Common shares *(note 11)*	**5,126**	5,126
Retained earnings	**691**	291
	5,817	5,417
	16,791	15,610

Contingencies and Commitments *(notes 7 and 15)*

See accompanying notes to financial statements

On behalf of the Board of Directors,
January 30, 2001:

Ron Osborne

William A. Farlinger
Chairman
Toronto, Canada

Ronald W. Osborne
President and Chief Executive Officer
Toronto, Canada

ONTARIO POWER GENERATION INC.

Notes to the Consolidated Financial Statements

1. INCORPORATION, ACQUISITION OF BUSINESS AND COMMENCEMENT OF OPERATIONS

Ontario Power Generation Inc. was incorporated on December 1, 1998 pursuant to the *Business Corporations Act* (Ontario). As part of the reorganization of Ontario Hydro, under the *Electricity Act, 1998* and the related restructuring of the electricity industry in Ontario, Ontario Power Generation Inc. and its subsidiaries (collectively "OPG") purchased and assumed certain assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro (the "Acquired Business") on April 1, 1999 and commenced operations on that date. Ontario Hydro has continued as Ontario Electricity Financial Corporation ("OEFC"), responsible for managing and retiring Ontario Hydro's outstanding debt and other obligations.

In consideration for the transfer of assets, liabilities, employees, rights and obligations of the electricity generation business of Ontario Hydro, OPG issued to OEFC notes payable in the aggregate principal amount of $8,526 million, including a note in the principal amount of $5,126 million (the "Equity Note") and assumed a capital lease obligation of Ontario Hydro in the amount of $30 million on April 1, 1999. The Province of Ontario (the "Province") has assumed all of OPG's obligations under the Equity Note and OEFC has released OPG from its obligations thereunder. In connection therewith, OPG issued to the Province 256,300,000 common shares as fully paid and non-assessable shares. OEFC has agreed that without the consent of OPG, it will not sell its remaining $3,400 million of notes, of which $2,650 million are senior notes and $750 million are subordinated notes of OPG.

OPG has recorded the purchase of the Acquired Business at its fair value as of April 1, 1999 as follows:

(millions of dollars)	Fair value as at April 1, 1999
Assets	
Current assets	1,465
Fixed assets	12,872
Other assets	598
	14,935
Liabilities	
Current liabilities	1,073
Liabilities and capital leases	5,336
	6,409
Net assets acquired	8,526

The purchase price of $8,526 million was determined based on the present value of estimated future operating results and cash flows of the Acquired Business in a deregulated market. The purchase of the Acquired Business from the related party, OEFC, was recorded at the exchange amount of $8,526 million in view of the substantive change in ownership interests arising from the transaction. The aggregate value of the net assets acquired was allocated to assets and liabilities based on their estimated fair values.

The results of operations and cash flows presented in these financial statements for the three months ended March 31, 1999 represent the operations of Ontario Hydro pertaining to the Acquired Business now conducted by OPG. These financial statements have been prepared through specific identification of assets, liabilities (other than debt), revenues and expenses relating to such businesses, and through an allocation of certain common financial statement accounts and items of Ontario Hydro. In particular, a portion of Ontario Hydro's revenues and debt, and corresponding portion of related interest and other financial expenses, have been allocated to the Acquired Business. The financial position and operating results of OPG differ significantly from those of the Acquired Business prior to April 1, 1999 because of changes in the regulatory environment, financing and other factors.

2. RESTRUCTURING OF THE ONTARIO ELECTRICITY INDUSTRY

The restructuring of the electricity market in Ontario is being accomplished in two stages. The first stage, the Transition Period, began on April 1, 1999 with the reorganization of Ontario Hydro and will end with the introduction of a competitive market for electricity. The second stage, Open Access, is expected to begin in the fall of 2001 or spring of 2002. After Open Access, customers will have access to the electricity supplier of their choice. The transmission and distribution system in Ontario will be open to all users in a competitive marketplace.

The Province has adopted a framework for market power mitigation designed to address issues regarding OPG's market position in Ontario. Under these arrangements, OPG must reduce its control over specified sources of electricity generating capacity. OPG must relinquish effective control of at least 4,000 MW of fossil generating capacity within 42 months of Open Access, with the option of substituting up to 1,000 MW of hydroelectric generating capacity for an equal amount of fossil generating capacity. Within 10 years of Open Access, OPG must reduce its effective control over generation capacity to a level that is no more than 35% of the overall Ontario market's supply.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of OPG are prepared in accordance with Canadian generally accepted accounting principles which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities.

Prior to April 1, 1999, Ontario Hydro was governed by the *Power Corporation Act* (Ontario), which provided it with broad power to generate, supply and deliver electricity throughout Ontario. Ontario Hydro's Board of Directors had the authority, for rate setting purposes, to specify that an amount be included in its results of operations for a period that differed from the period in which it would be recognized under generally accepted accounting principles for enterprises operating in a non-rate regulated environment. In such cases, the accounting treatment was the same as its treatment for rate setting purposes.

Consolidation

The consolidated financial statements include the accounts of Ontario Power Generation Inc. and its subsidiaries. Ontario Power Generation Inc. accounts for its interests in jointly controlled entities using the proportionate consolidation method.

Inventories

Fuel inventory is valued at the lower of average cost or net realizable value.

Materials and supplies are valued at the lower of average cost or net realizable value with the exception of specific replacement parts which are unique to one of the nuclear or fossil generating stations. The cost of the unique replacement parts inventory is charged to operations on a straight-line basis over the remaining life of the related facilities.

Fixed Assets and Depreciation

Property, plant and equipment acquired by OPG on April 1, 1999 were recorded at fair values. Additions to property, plant and equipment subsequent to April 1, 1999 are recorded at cost. Interest costs incurred during construction are capitalized as part of the cost of the asset.

Depreciation rates for the various classes of assets are based on their estimated service lives. Assets are depreciated on a straight-line basis except for computers and transport and work equipment, which are depreciated on the declining balance basis. Generating stations are depreciated on a straight-line basis over estimated service lives ranging from 25 to 40 years for nuclear generating stations, 40 to 50 years for fossil generating stations and 100 years for hydroelectric generating stations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Administration and service facilities are depreciated on a straight-line basis over 5 to 50 years. Computers and transport and work equipment assets are depreciated at rates varying between 9% and 40%. Any asset removal costs that have not been specifically provided for in current, or previous periods, are also charged to depreciation expense.

Major application software acquisition costs are capitalized when future benefits are reasonably assured. These costs are amortized over the useful life of the application software.

Fixed Asset Removal and Nuclear Waste Management

OPG recognizes a liability for fixed asset removal and nuclear waste management taking into account the time value of money since it is able to estimate both the amount and timing of future cash expenditures on these activities. On April 1, 1999, when the Acquired Business was transferred to OPG, the following costs were recognized as a liability:

- The present value of the costs of dismantling the nuclear and fossil production facilities at the end of their useful lives.
- The present value of the fixed cost portion of any nuclear waste management programs that are required regardless of volume of waste generated.
- The present value of the variable cost portion of any nuclear waste management program to take into account actual waste volumes incurred up to April 1, 1999.

Waste generated after April 1, 1999 will result in an increase to this liability with the corresponding amounts charged to operations through depreciation and amortization expense or fuel expense. OPG funds the fixed asset removal and nuclear waste management liability based on a pre-determined payment stream. This funding is segregated and used only for fixed asset removal or nuclear waste management. It is OPG's intent to have these funds held outside of OPG. Actual costs incurred to operate waste management programs are applied against the segregated funds.

Revalorization arises because liabilities for used nuclear waste disposal and future fixed asset removal costs are stated in the balance sheet on a net present value basis. The revalorization charge is the adjustment that results from restating the liabilities to reflect the effect of inflation on the cost estimates and the time value of money effect on the future liabilities. The revalorization charge is sensitive to movements in interest and inflation rates. Revalorization is disclosed in the financial statements as part of depreciation and amortization.

Ongoing operating costs incurred for temporary storage of used nuclear fuel in wet fuel bays and dry storage containers during station operating life are reflected as ongoing operating and capital expenditures.

Prior to April 1, 1999, the Acquired Business recognized decommissioning and nuclear waste liabilities over the expected operating lives of the nuclear and fossil plants or as quantities of waste were produced. As a result, the liability as stated under the Acquired Business was substantially lower than the liability recognized by OPG.

Revenue

Revenues are earned primarily through the sale of electricity to wholesale and large industrial customers in Ontario and to interconnected markets in the United States, Quebec and Manitoba. During the Transition Period, the average wholesale electricity prices charged to Ontario customers remain fixed and customers are billed on a bundled basis. OPG distributes the funds to the successor entities of Ontario Hydro under the terms of revenue allocation arrangements. The revenue allocation arrangements provide relatively fixed amounts to the other businesses. The revenue allocation arrangements were designed so the undistributed balance of funds would provide OPG with planned revenue of 4¢/kWh based on forecasted energy, together with a fixed amount for ancillary services. Changes in forecast demand and customer mix will vary OPG's actual revenue per kWh.

Prior to April 1, 1999, the Acquired Business operated in a rate-regulated environment. The electricity rates to customers were established to provide power at cost. The revenues disclosed for the three months ended March 31, 1999 were determined by an internal revenue allocation mechanism used by Ontario Hydro.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-energy revenues include earnings from services provided by OPG such as project management, engineering analysis and design, construction and field maintenance of power generation facilities, the sale of various nuclear isotopes and generation by-products, and foreign exchange gains and losses. OPG uses the percentage of completion method to recognize revenue on fixed price contracts with a defined scope of work. For other contracts, revenue is recognized as services are provided or products are delivered. Price escalation adjustments are recognized when they are established by specific contract terms. Commissions are recognized as earned.

Foreign Currency Translation

Current monetary assets and liabilities in foreign currencies are translated into Canadian currency at year-end rates of exchange. Any resulting gain or loss is reflected in other revenue. Gains and losses on translation of foreign currency long-term liabilities are deferred and amortized over the period to maturity.

Derivatives

OPG enters into various hedging instruments in order to manage foreign exchange risk through derivatives such as forward rate agreements. When derivatives are used to manage OPG's exposure to foreign currency movements, the revenue or expense is recognized over the life of the transaction in other revenue. Where the derivatives have been designated as a hedge, the realized gains or losses are deferred and amortized over the life of the hedged assets or liabilities in other revenue.

Short-term Investments

OPG enters into short-term purchases of securities under reverse repurchase agreements. Under these agreements, OPG commits to resell the securities back to the original counterparty at a specified price and on a specified date. These securities are carried on the balance sheet at their original cost. Reverse repurchase agreements conducted with the same counterparty are reported on a net basis. Interest earned on reverse repurchase agreements is netted against interest expense in the Income Statement.

Income and Other Tax

OPG is responsible under the *Electricity Act*, 1998 for making payments in lieu of taxes (proxy taxes) to OEFC. These payments are calculated in accordance with the *Income Tax Act* (Canada) and *Corporations Tax Act* (Ontario), and are modified by regulations made under the *Electricity Act*, 1998. Prior to April 1, 1999 the Acquired Business was not required to pay income or capital taxes.

Effective January 1, 2000, OPG changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by The Canadian Institute of Chartered Accountants' Handbook Section 3465, *Accounting for Income Taxes*. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The deferral method uses an income statement approach and records deferred taxes using current tax rates with no adjustment for subsequent tax rate changes. The cumulative effect as at January 1, 2000 of adopting these recommendations was not material. Therefore, prior year financial statements have not been restated. For comparative 1999 periods, the deferred income tax component of income tax expense is disclosed in the financial statements as future income taxes.

OPG is also required to make payments in lieu of property and school taxes on its generating assets. The amount is equal to the difference between the amount it would be required to pay if the assets were privately owned and the amount of such taxes that OPG actually pays on those assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Research and Development

Development costs related directly to the design or construction of a specific fixed asset are capitalized as part of the cost of the asset. Research and development costs, which are incurred to discharge long-term obligations such as the nuclear waste management liabilities, for which specific provision has already been made, are charged to the related liability. All other research and development costs, which do not qualify for deferral, are charged to operations in the year incurred.

Pension and Other Post Employment Benefits

OPG's post employment benefit programs include pension, group life insurance, health care, long-term disability and workers' compensation benefits.

OPG accrues its obligations under pension and other post employment benefit (OPEB) plans. Pension fund assets are valued using current market values. Pension and OPEB expenses and obligations are determined annually by independent actuaries using management's best estimates.

Pension and OPEB expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions, and experience gains or losses, which are amortized on a straight-line basis over the expected average remaining service life of the employees covered by the plan. Pension and OPEB expenses are recorded during the year in which employees render services.

4. INCOME TAXES

OPG became obligated to make payments in lieu of taxes on April 1, 1999. There was no income or capital taxes in the periods prior to April 1, 1999 related to the Acquired Business.

The liability method of tax allocation was adopted by OPG effective January 1, 2000.

A reconciliation between the statutory and the effective rate of income taxes is as follows:

(millions of dollars)	**Year ended December 31 2000**	April 1 to December 31 1999
Income before income taxes	**1,058**	615
Combined Canadian federal and provincial statutory income tax rates, including surtaxes	**43.9%**	44.6%
Statutory income tax applied to accounting income	**464**	274
Increase (decrease) in income taxes resulting from :		
Large corporation tax in excess of surtax	**25**	19
Manufacturing and processing credit	**(7)**	(9)
Other	**4**	5
Reduction in future income taxes resulting from reduction in tax rates	**(33)**	-
	(11)	15
Provision for income taxes	**453**	289

4. INCOME TAXES CONTINUED

(millions of dollars)	**Year ended December 31 2000**	April 1 to December 31 1999
The provision for income taxes consists of:		
Current	**310**	214
Future income tax expense relating to temporary differences	**143**	75
Provision for income taxes	**453**	289
Effective rate of income taxes	**42.8%**	47.0%

The sources of temporary differences and their tax effects on future income taxes were: the carrying value of fixed assets in excess of tax value - $1,609 million (nine months ended December 31, 1999 - capital cost allowance in excess of depreciation - $66 million) and the tax value of other items in excess of carrying value - $1,391 million (nine months ended December 31, 1999 – other items deducted for tax purposes in advance of accounting purposes - $9 million).

The amount of taxes paid for the year ended December 31, 2000, was $136 million (nine months ended December 31, 1999 - $237 million).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on account and short-term money market instruments of $616 million (1999 - $255 million) with yields ranging from 5.55% to 5.96% and maturities of less than three months.

6. FIXED ASSETS AND DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense consists of the following:

(millions of dollars)			Acquired Business
	Year ended December 31 2000	April 1 to December 31 1999	January 1 to March 31 1999
Depreciation and amortization	**540**	383	299
Revalorization (5.75% rate)	**202**	165	45
Liability for fixed asset removal and nuclear waste management	**21**	20	37
Asset removal costs	**1**	5	4
	764	573	385

6. FIXED ASSETS AND DEPRECIATION AND AMORTIZATION CONTINUED

The fixed assets consist of the following:

(millions of dollars)	December 31 2000	December 31 1999
Property, plant and equipment		
Generating stations	12,361	12,093
Other fixed assets	706	530
Construction in progress	775	662
	13,842	13,285
Less: accumulated depreciation		
Generating stations	744	339
Other fixed assets	166	44
	910	383
	12,932	12,902

Interest capitalized at 6% during the year ended December 31, 2000 was $19 million (nine months ended December 31, 1999 - $11 million, three months ended March 31, 1999 - $8 million).

7. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT

OPG's nuclear generating stations produce nuclear waste in the form of radioactive nuclear fuel bundles along with low and intermediate level radioactive waste. In addition, certain components of the plants become contaminated and therefore need to be safely decommissioned. OPG is also required to decommission its non-nuclear facilities.

The net liability for fixed asset removal and nuclear waste management is as follows:

(millions of dollars)	December 31 2000	December 31 1999
Liability for nuclear waste management		
Used fuel disposal	3,320	3,295
Used fuel storage	937	719
Low level waste	223	213
Intermediate level waste	81	77
	4,561	4,304
Liability for nuclear fixed asset removal	2,417	2,287
	6,978	6,591
Liability for non-nuclear fixed asset removal	126	124
	7,104	6,715
Less: provincial receivable	2,622	2,480
Fixed asset removal and nuclear waste management	4,482	4,235

The accrual of fixed asset removal and nuclear waste management costs requires significant assumptions in their calculations, since these programs run for several decades. The decommissioning of nuclear stations requires cash flow estimates to 2071. The interest rate used for discounting was 5.75% (1999 - 5.75%) and cost escalation rates ranged from 2% to 3% (1999 - 2% to 4%).

Significant assumptions underlying many operational and technical factors are also used in the calculation of the accrued liabilities and are subject to periodic review. Changes to these assumptions, as well as changes to assumptions on the timing of the programs or the technology employed, could result in significant changes to the value of the accrued liabilities. With

7. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT CONTINUED

programs of this duration and the evolving technology to handle the nuclear waste, there is a degree of risk surrounding the measurement of the costs for these programs, which may increase or decrease over time.

Liability for Nuclear Waste Management Costs

The liability for nuclear waste management costs represents the cost of managing the highly radioactive used nuclear fuel bundles as well as the cost of managing other low and intermediate level radioactive wastes generated by the nuclear stations. The current assumptions that have been used to establish the accrued used fuel costs include: long-term management of the spent fuel bundles through deep geological disposal; an in-service date of 2025 for used nuclear fuel disposal facilities; and an average transportation distance of 1,000 kilometers between nuclear generating facilities and the disposal facilities. Alternatives to deep geological disposal may be technically feasible and will be explored. The increase in the accrued costs for used nuclear fuel from current period operations is charged to fuel costs for the period.

The costs of low and intermediate level waste management include both the costs of managing such wastes during the operation of the nuclear stations as well as the costs of ultimate long-term disposal of these wastes. The current assumptions used to establish the accrued low and intermediate level waste management costs include: construction of disposal facility for low level waste to be in place by 2015; co-locating some of the intermediate level waste with low level waste starting in 2015; and co-locating the remainder of the intermediate level waste with used fuel starting in 2034. The increase in the accrued costs for low and intermediate level waste due to the waste produced during the period are charged to depreciation and amortization for the period.

Liability for Nuclear Fixed Asset Removal Costs

Accrued nuclear fixed asset removal costs are the costs of decommissioning nuclear generating stations after the end of their service lives. The significant assumptions used in estimating future nuclear fixed asset removal costs include: decommissioning of nuclear generating stations in the 2028 to 2058 period on a deferred dismantlement basis (reactors will remain safely shut down for a 30 year period prior to dismantlement) and an average transportation distance of 1,000 kilometers between nuclear generating facilities and disposal facilities.

Liability for Non-nuclear Fixed Asset Removal Costs

Accrued non-nuclear asset removal costs are primarily the costs of decommissioning fossil generating stations and the heavy water production facility after the end of their service lives. The significant assumption used in estimating future fossil generating station removal costs is that the estimated retirement date of these stations is in the period 2005 to 2025.

OPG does not provide for the removal costs associated with its hydroelectric generating facilities as the costs cannot be reasonably estimated because of the long service life of these assets. With either maintenance efforts or rebuilding, the water control structures are assumed to be required for the foreseeable future.

Provincial Receivable for Nuclear Waste Management

On April 1, 1999, the Province agreed that the Province or its agent would fund certain fixed asset removal and nuclear waste management liabilities that were incurred prior to April 1, 1999. Details of which liabilities will be funded are being finalized with the Province. The balance of the provincial receivable of $2,622 million represents the Province's liability of $2,480 million as at January 1, 2000, as well as interest in the amount of $142 million accrued during the year ended December 31, 2000 based on a rate of 5.75%. (nine months ended December 31, 1999 - 5.75%). The interest rate is under negotiation with the Province and is subject to change. The impact of the finalization of the interest rate for 2000 is not expected to result in a material difference to the liability balance.

7. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT CONTINUED

Segregated Funds

OPG is contributing to segregated funds to provide for or discharge the remaining unfunded nuclear liabilities. It is OPG's intent that these funds be held outside of OPG and be used solely for nuclear waste management and nuclear fixed asset removal. Until such time as the legal nature of the segregated funds is finalized, OPG is setting aside these funds internally and is managing their investment and growth distinct from its other cash holdings. The annual contribution to segregated funds is approximately $429 million per year for the next 5 years. OPG plans to contribute to the segregated funds over the estimated remaining lives of its nuclear generating stations. The fixed asset removal and nuclear waste management fund consists of the following:

(millions of dollars)	**December 31 2000**	December 31 1999
Nuclear fixed asset removal fund	**462**	215
Nuclear waste management fund	**319**	152
	781	367

Included in the segregated fund is interest earned of $39 million (1999 - $6 million) on the balance in the fund during 2000.

Nuclear Risk-Sharing

OPG and senior staff at the Ontario Ministry of Finance reached an understanding on key principles for the development of a nuclear liability agreement under which the Province or its agent would risk-share certain nuclear waste management costs in the event that the estimated present value of these costs were to exceed certain thresholds. In order to implement the nuclear liability agreement, OPG must negotiate a definitive agreement and obtain the necessary authorizations from the Province including any necessary Orders in Council. Execution of this agreement would effectively limit OPG's exposure to significant increases in the estimated present value costs of nuclear waste management.

In addition to a nuclear liability agreement, the Province has also agreed to provide to the Canadian Nuclear Safety Commission ("CNSC", formerly the Atomic Energy Control Board), as required by federal regulation, a guarantee that there will be funds available to discharge 100% of the nuclear decommissioning and waste liabilities that exist at any point in time within OPG. This would represent that portion of the liabilities that are not funded. In return, OPG will pay to the Province a fee of 0.5% of the value of that guarantee. This guarantee is expected to commence in 2001, once the nuclear liability agreement is finalized.

Role of External Parties in the Management of Nuclear Wastes and Impact on Liabilities

In response to a December 1998 policy statement by the Federal Government, OPG continues its discussions with both the Province and the Federal Government regarding the establishment of a Waste Management Organization ("WMO") to manage all future operating expenditures for the life cycle management of nuclear waste. The exact structure and mandate of the WMO is under review.

Segregated funds would likely be held independent of OPG with access to those funds managed and monitored by several parties, including the CNSC. OPG has a requirement to contribute to those segregated funds in a pre-determined manner that will be established based on estimates and assumptions calculated by external bodies. The Federal Government will likely introduce draft legislation within the next year that would establish the role of a WMO and define government oversight responsibilities.

8. LONG-TERM DEBT

The long-term debt consists of the following:

(millions of dollars)	December 31 2000	December 31 1999
Notes payable to OEFC	**3,400**	3,400
Capital lease obligations	**23**	26
	3,423	3,426
Less: payable within one year		
5.35% senior notes payable to OEFC	**200**	-
Capital leases	**4**	4
	204	4
Long-term debt	**3,219**	3,422

Details of OPG's long-term notes outstanding as at December 31, 2000, are as follows:

Year of Maturity	Interest Rate (%)	Principal Outstanding ($ Canadian) Senior Notes	Subordinated Notes	Total
2001	5.35	200	-	200
2002	5.44	200	-	200
2003	5.49	200	-	200
2004	5.62	300	-	300
2005	5.71	300	-	300
2006	5.78	300	-	300
2007	5.85	400	-	400
2008	5.90	400	-	400
2009	6.01	350	-	350
2010	6.60	-	375	375
2011	6.65	-	375	375
		2,650	750	3,400

Holders of the senior debt are entitled to receive, in full, amounts owing in respect of the senior debt before holders of the subordinated debt are entitled to receive any payments. OPG's exposure to interest rate risk is limited by the fixed rates on the long-term debt.

Interest paid during the year ended December 31, 2000 was $206 million (nine months ended December 31, 1999 - $95 million; three months ended March 31, 1999 - $588 million)

9. SHORT-TERM CREDIT FACILITIES

OPG maintains a credit facility for $600 million with certain Canadian chartered banks (Bank Credit Agreement) to fund working capital requirements and for general corporate purposes. This facility may be drawn upon in either Canadian or U.S. dollars at varying rates based on certain benchmark rates, including a prime rate, a bankers' acceptance rate, and a LIBOR rate.

OPG implemented a commercial paper (CP) program in 2000. Under the CP program, OPG has the authority to issue short-term promissory notes up to a maximum outstanding principal amount of $600 million in Canadian currency, or the equivalent thereof in United States currency. Notes issued under the CP program are secured under the Bank Credit Agreement. As at December 31, 2000, OPG had issued $150 million of commercial paper at yields ranging from 5.81% to 5.89%.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS, CREDIT RISK, AND RISK MANAGEMENT INSTRUMENTS

Fair Value

The following table presents the carrying amounts and fair values of OPG's financial instruments:

(millions of dollars)	2000		1999	
	Carrying Value	**Fair Value(1)**	Carrying Value	Fair Value (1)
Financial Assets				
Cash and cash equivalents	**565**	**565**	243	243
Short-term investments	**335**	**335**	-	-
Accounts receivable	**968**	**968**	930	930
Fixed asset removal and nuclear waste management fund	**781**	**803**	367	367
Long-term accounts receivable and other assets	**52**	**52**	27	27
Financial Liabilities				
Accounts payable and accrued charges	**1,406**	**1,406**	1,145	1,145
Short-term notes payable	**150**	**150**	-	-
Long-term debt due within one year	**204**	**204**	4	4
Long-term debt	**3,219**	**3,188**	3,422	3,270
Long-term accounts payable and accrued charges	**298**	**298**	353	353

(1) Year-end quoted market prices for specific or similar instruments are used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value. For derivative financial instruments, the fair value is determined using pricing models that take into account the current value of the underlying instruments, the time value of money, and mid-market yield curve and volatility factors. The carrying values of cash, short-term investments, accounts receivable, bank indebtedness, short-term notes payable and accounts payable approximate fair value because of the short maturity of those instruments.

Credit risk

Credit risk relates to the risk of loss as a result of non-performance of contractual obligations by counterparties. OPG has established and enforced credit policies that minimize credit risk through a continuous evaluation of its counterparties.

OPG's diverse portfolio of counterparties in the Ontario and interconnected markets is made up of industrial, commercial and electric utility organizations. OPG's customers are primarily derived from the Ontario market where the credit risk is minimized mainly through a combination of OPG policies and transitional market rules. OPG accepts counterparties to forwards and other derivative contracts primarily through investment grade entities and through credit enhancements. Of the total credit extended in 2000, approximately 72% related to municipal utilities. Based on OPG's policies and the current market and regulatory environment, OPG does not expect any material credit losses.

Risk Management Instruments

OPG makes purchases and sales denominated in United States dollars, which give rise to a risk that its earnings and cash flows may be adversely impacted by changes in foreign exchange amounts. In order to reduce OPG's exposure to fluctuations in the value of the Canadian dollar, OPG hedges anticipated commitments for purchases and sales using risk management instruments such as forward foreign exchange contracts. All of the forward contracts entered into during the year were short-term in nature. OPG had no forward contracts outstanding as at December 31, 2000.

11. COMMON SHARES

OPG is authorized to issue an unlimited number of common shares without nominal or par value. Common shares issued and outstanding at December 31, 2000, and December 31, 1999, are as follows:

	Shares	($ millions)
Issued to the Province upon incorporation on December 1, 1998	10	-
Issued to the Province in settlement of debt on April 1, 1999	256,300,000	5,126
	256,300,010	5,126

12. RELATED PARTY TRANSACTIONS

OPG, the Province, and the other successor entities of Ontario Hydro, which include Hydro One Inc. ("Hydro One"), Independent Electricity Market Operator ("IMO"), OEFC, and Ontario Electricity Pension Services Corporation ("OEPSC"), which manages the pension fund on behalf of OPG, became related parties as of April 1, 1999. Prior to April 1, 1999, the Province was a related party to Ontario Hydro and its fully integrated business units.

The transactions between OPG and related parties are in the normal course of business under normal trade terms. These transactions are summarized below:

	Year ended December 31, 2000		April 1 to December 31, 1999	
(millions of dollars)	Revenues	Purchases	Revenues	Purchases
Hydro One				
Electricity sales	867	-	640	-
Services	16	92	45	40
IMO-ancillary services	102	-	75	-
OEPSC-services	16	-	10	-
	1,001	92	770	40

For the year ended December 31, 2000, payments to the Province for water rentals were $117 million (nine months ended December 31, 1999 - $90 million, three months ended March 31, 1999 - $30 million). Payments to the Province for the debt guarantee fee were nil for the year ended December 31, 2000 (nine months ended December 31, 1999 - nil, three months ended March 31, 1999 - $31 million).

As at December 31, 2000, OPG had $93 million of related party receivables due from Hydro One (1999 - $90 million), $9 million of related party receivables due from the IMO (1999 - $8 million) and $2 million of related party receivables due from OEPSC (1999 - $1 million). Related party payables due to Hydro One were $15 million as at December 31, 2000 (1999 - $13 million).

13. RESEARCH AND DEVELOPMENT

For the year ended December 31, 2000, $39 million (nine months ended December 31, 1999 - $19 million, three months ended March 31, 1999 - $15 million) of research and development expenses were charged to operations, and there were no charges to accrued liabilities (nine months ended December 31,1999 - $10 million, three months ended March 31, 1999 - $2 million). Development costs of $6 million were capitalized (nine months ended December 31, 1999 - $2 million, three months ended March 31, 1999 - nil).

14. SEGMENTED INFORMATION

OPG operates as a single segment business generating electricity in Ontario. Substantially all sales are in Canada. Electricity sales to the United States were $273 million for the year ended December 31, 2000 (nine months ended December 31, 1999 - $200 million; three months ended March 31, 1999 - $10 million). Sales to two customers represent 31% of total revenue for the year ended December 31, 2000 (nine months ended December 31, 1999 - 30%) and 26% of accounts receivable as at December 31, 2000 (nine months ended December 31, 1999 - 25%).

15. CONTINGENCIES AND COMMITMENTS

Municipal Electric Utilities (MEU)

On April 24, 1997, three MEUs (the "Applicants") issued a notice of application against Ontario Hydro in the Ontario Court (General Division) (the "MEU Litigation"). The MEU Litigation has been certified as a class proceeding on behalf of all MEUs in Ontario. The Applicants seek declarations that certain rates and pricing options offered by Ontario Hydro to corporations contravened the provisions of the *Power Corporation Act*, (Ontario) and that these rates and pricing options improperly increased costs to the MEUs that purchase their power from OPG. They seek recovery of the increased costs in the amount of approximately $145 million and a declaration that Ontario Hydro improperly diverted, from miscellaneous revenues, monies, in an indeterminate amount, which should have been used to reduce the cost of power supplied to these MEUs. The Applicants are also seeking declarations that Ontario Hydro breached legislative provisions prescribing the operation of the Reserve for Stabilization of Rates and Contingencies and an equity account of Ontario Hydro known as the accumulated debt retirement appropriation (the "ADR account"), and an order requiring repayment to the ADR account in the amount of $5,050 million. The Province will indemnify OPG from and against all claims relating to the creation, treatment, payment to or from or other dealings with the ADR account, and the financial statements of Ontario Hydro in relation to the ADR account including any amount relating to any judgment, settlement or other payment in connection with the MEU Litigation, subject to a $20 million deductible amount.

Request for Judicial Review

In May 1999, an application was commenced by the Inverhuron & District Ratepayers Association ("IDRA") in the Federal Court Trial Division, requesting judicial review of the decisions of the federal Minister of the Environment, the Minister of Fisheries and Oceans and the CNSC with regard to the Bruce used fuel dry storage facility project. The goal of the application was to overturn the decisions pursuant to the *Canadian Environmental Assessment Act* ("CEAA") that would allow the project to proceed. The application also sought to have the project referred to a review panel or mediator.

In May 2000, the Federal Court Trial Division refused the application. The IDRA appealed the Court's decision. Until the Appeal Court renders its decision, OPG is unable to ascertain the impact of this application on its business, results of operations, financial condition or prospects. The Bruce used fuel storage facility is required within the next 2 to 3 years to allow for the continued generation of nuclear power at the Bruce Nuclear site, given the remaining vacant storage available for used fuel bundles.

Environment

OPG inherited legacy environmental obligations from the Acquired Business. A provision of $76 million was established as at April 1, 1999 for such obligations. Charges of $3 million were made against this provision during the year ended December 31, 2000 (nine months ended December 31, 1999 - $6 million). Also, OPG's current operations are subject to regulation with respect to air, soil and water quality and other environmental matters by federal, provincial and local authorities. The cost of obligations associated with current operations is provided for on an ongoing basis. Management believes it has made adequate provision in its financial statements to meet OPG's current environmental obligations.

15. CONTINGENCIES AND COMMITMENTS CONTINUED

Fuel Supply Agreements

OPG has entered into firm fuel supply agreements, some of which extend beyond 2001. The future obligation of $1,464 million (1999 - $727 million) under these agreements for each of the next five years and 2006 and beyond are as follows:

(millions of dollars)

Due in:	
2001	851
2002	256
2003	156
2004	34
2005	32
2006 and beyond	135
Total	1,464

16. BENEFIT PLANS

The post employment benefit programs include pension, group life insurance, health care, long-term disability and workers' compensation benefits. Pension and other post employment obligations are impacted by factors including interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses.

The pension information presented in the financial statements is derived from the OPG pension plan including OPG's proportionate share of the OEFC pension plan assets and liabilities taking into account actual employees and pensioners. Other post employment benefit information presented in the financial statements is also based on OPG's actual employees and pensioners. Prior to April 1, 1999, such information was based on the Acquired Business's proportionate share of Ontario Hydro's payroll, resulting in allocation adjustments.

OPG amended its benefit plans during 2000, resulting in pension and other post employment obligations for past service.

Pension Plan

The pension plan is a contributory, defined benefit plan covering all regular employees. OPG's pension plan was established effective December 31, 1999. Until that date, employees and pensioners continued as members of the OEFC pension plan, formerly the Ontario Hydro Pension and Insurance Plan.

Pension fund assets held with OEFC principally include marketable equity securities, and corporate and government debt securities, which are selected by professional investment managers. The fund does not invest in equity or debt securities issued by the Province, Hydro One, IMO, ESA, OEFC, or OPG.

The pension plan has a substantial excess of assets over obligations ("Surplus"). OPG has suspended contributions to the plan as permitted under the *Pension Benefits Act* (Ontario) and the *Electricity Act, 1998*.

Information about OPG's pension plan is as follows:

(millions of dollars)	**December 31 2000**	December 31 1999
Pension Plan Assumptions		
Expected return on plan assets	**7.75%**	7.25%
Rate used to discount future pension benefits	**6.75%**	7.25%
Salary schedule escalation rate	**3.25%**	3.50%
Rate of cost of living increase to pensions	**2.50%**	2.50%
Average remaining service life for employees (years)	**11**	12

16. BENEFIT PLANS CONTINUED

(millions of dollars)	December 31 2000	December 31 1999
Change in Pension Plan Assets		
Fair value of plan assets at beginning of year	7,274	7,908
Contributions by OPG	-	-
Contributions by the employees	33	49
Actual return on plan assets	527	1,018
Benefit payments	(181)	(245)
Administrative expense	(11)	(13)
Allocation adjustment	-	(1,443)
Fair value of plan assets at end of year	7,642	7,274
Change in Projected Pension Benefit Obligation		
Projected benefit obligation at beginning of year	5,174	7,098
Current service cost	184	218
Past service costs	189	-
Interest on projected benefit obligation	389	359
Benefit payments	(160)	(192)
Net actuarial (gain) loss	440	(1,098)
Allocation adjustment	-	(1,211)
Projected benefit obligation at end of year	6,216	5,174
Pension Plan Surplus	1,426	2,100
Reconciliation of Pension Plan Surplus		
Pension plan surplus	1,426	2,100
Unamortized net actuarial (gain) loss	(957)	(1,584)
Unamortized past service costs	172	-
Deferred pension asset	641	516

	Year ended December 31 2000	April 1 to December 31 1999	Acquired Business January 1 to March 31 1999
Components of Pension (Credit)/Expense			
Current service cost	154	124	42
Interest on projected benefit obligation	389	269	106
Expected return on plan assets	(540)	(339)	(142)
Amortization of past service costs	17	-	-
Amortization of net actuarial (gain) loss	(145)	(15)	(1)
Pension (credit)/expense	(125)	39	5

16. BENEFIT PLANS CONTINUED

Other Post Employment Benefits

Payments for OPEB benefits during 2000 are $49 million (nine months ended December 31, 1999 - $35 million, three months ended March 31, 1999 - $15 million). The long-term annual increase in the per capita cost of the major benefits ranges between 2.5% and 4.5% (1999 - between 2.5% and 4.5%), depending on the nature of the benefit. The discount rate used in determining the actuarial present value of the OPEB obligation ranges between 6.25% and 7.00% at December 31, 2000 (1999 - between 7.0% and 7.5%).

Information about OPG's OPEB is as follows:

(millions of dollars)	**December 31 2000**	December 31 1999
Change in Projected OPEB Obligation		
Projected OPEB obligation at beginning of year	**828**	1,088
Current service cost	**37**	41
Interest on projected benefit obligation	**65**	56
Benefit payments	**(42)**	(40)
Net actuarial (gain) loss	**71**	(180)
Past service costs	**42**	-
Allocation adjustment	**-**	(137)
Projected OPEB obligation at end of year	**1,001**	828
Reconciliation of OPEB Obligation		
Accrued OPEB obligation at end of year		
Long-term obligation	**997**	959
Short-term obligation	**46**	43
Unamortized net actuarial (gain) loss	**(79)**	(174)
Unamortized past service costs	**37**	-
Projected OPEB obligation at end of year	**1,001**	828

	Year ended December 31 2000	April 1 to December 31 1999	**Acquired Business** January 1 to March 31 1999
Components of OPEB Expense			
Current service cost	37	32	12
Interest on projected benefit obligation	65	42	16
Amortization of net actuarial (gain) loss	(17)	(3)	-
Amortization of past service costs	4	-	-
OPEB expense	89	71	28

17. PRO FORMA CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

A pro forma consolidated statement of income has been prepared to reflect the purchase of the Acquired Business as if the purchase of net assets had occurred on January 1, 1999.

	1999			
		Acquired Business		
(millions of dollars)	April 1 to December 31 Actual	January 1 to March 31 Actual	Adjustments	Year ended December 31 Pro Forma
Revenues	4,338	1,769	(312)	**5,795**
Operating expenses				
Operation, maintenance and administration	1,770	551	16	**2,337**
Fuel	816	335	(35)	**1,116**
Power purchased	153	45	-	**198**
Depreciation and amortization	573	385	(193)	**765**
Property and capital taxes	277	7	85	**369**
	3,589	1,323	(127)	**4,785**
Interest expense	134	545	(500)	**179**
Income taxes	289	-	96	**385**
Net income	326	(99)	219	**446**

Basis of Presentation and Pro Forma Assumptions and Adjustments

The pro forma consolidated statement of income for the year ended December 31, 1999 is comprised of the consolidated statement of income for OPG for the nine months ended December 31, 1999 and a pro forma consolidated statement of income for the three months ended March 31, 1999 based on the consolidated statement of income of the Acquired Business. The pro forma consolidated statement of income is not necessarily indicative of the results of operations that would have occurred had the transactions taken place on the relevant dates, because of significant changes in the business and regulatory environments, financing and other factors.

OPG is an unregulated commercial enterprise, whereas the Acquired Business was a rate-regulated entity. Since accounting policies followed by rate regulated enterprises differ in some respects from those followed by non-rate regulated enterprises, certain of the liabilities and expenses recorded by the Acquired Business would have been recorded differently by OPG.

The pro forma consolidated statement of income for the year ended December 31, 1999 includes the following assumptions and adjustments to the historical results of the Acquired Business:

Revenues: During the Transition Period of the Ontario electricity industry, all consumers will continue to pay their electricity bills on a bundled basis. OPG's share of revenue out of this bundled pool in 1999 was planned to be 4¢/kWh for Ontario sales, based on estimated demand for 1999, together with a fixed amount for ancillary services. The impact of this new revenue allocation arrangement is a reduction in revenue of $336 million for the three months ended March 31, 1999. Revenues were increased by $24 million to reflect other adjustments including the reclassification of revenues that were previously recognized as internal revenues and credited to operations, maintenance and administration expenses (OM&A), and foreign exchange losses previously recorded as interest expense.

OM&A: OM&A expenses for the three months ended March 31, 1999, have been adjusted by $16 million which includes the reclassification of revenues previously recognized as internal revenues and an adjustment for certain grants in lieu of property taxes that were previously included in OM&A expense.

17 PROFORMA CONSOLIDATED STATEMENTS OF INCOME (Unaudited) CONTINUED

Fuel: As part of the restructuring of Ontario Hydro, the obligation to fund the future costs of nuclear waste disposal and nuclear plant decommissioning was transferred to OPG. OPG recognized the full committed liability of $6,317 million as at April 1, 1999. As a result, the amount charged to operations for these periods with respect to the future obligation for these liabilities, is less than the amount formerly charged to operations. Accordingly, for the three months ended March 31, 1999, fuel expense has been adjusted by $35 million with respect to nuclear waste disposal.

Depreciation and amortization: The net book value of the fixed assets of the Acquired Business, which amounted to $26,850 million, was adjusted by an amount of $13,978 million, reducing the net book value of fixed assets to their fair value of $12,872 million as at April 1, 1999. As a result of the new asset base, depreciation and amortization expense has been reduced by $177 million for the three months ended March 31, 1999. Other adjustments include a reduction in depreciation of $30 million for the three months ended March 31, 1999, to reflect lower charges to current operations resulting from the recognition of the full committed liability for nuclear plant decommissioning and an increase of $14 million related to revalorization.

Interest expense: Interest expense includes interest on debt financing. As a result of the new capitalization of OPG and lower interest rates for OPG's long-term debt, interest expense decreased by $484 million for the three months ended March 31, 1999. The Province no longer guarantees OPG's debt to third parties after April 1, 1999. Accordingly, OPG will not incur the provincial debt guarantee fee previously included in interest expense. The elimination of this guarantee fee, which had an impact of $31 million for the three months ended March 31, 1999, is reflected in the net reduction in interest expense. An adjustment of $15 million for the three months ended March 31, 1999, was made to reclassify certain foreign exchange losses to other revenue.

Income, property and capital taxes: The Acquired Business was exempt from tax under the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario). However, pursuant to the *Electricity Act, 1998* OPG is required to pay to OEFC an amount referred to as a "proxy tax". The proxy tax is generally equal to the amount of income and capital taxes OPG would be liable to pay under the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario) if it were not exempt. The *Electricity Act, 1998* also provides that OPG is required to make additional payments in lieu of property tax each year to OEFC on its electricity generating assets. Accordingly, the pro forma adjustments reflect the recognition of property and capital taxes of $85 million for the three months ended March 31, 1999. In addition, proxy taxes in lieu of federal and Ontario income taxes plus the federal large corporations tax was recognized in the amount of $96 million for the three months ended March 31, 1999.

18. DECONTROL, JOINT VENTURES AND PARTNERSHIPS

Leasing of Bruce Nuclear Generating Stations

On July 11, 2000, OPG entered into an agreement to lease its Bruce A and Bruce B nuclear generating facilities to Bruce Power L.P. as part of OPG's decontrol commitment whereby it is required to reduce its share of generating capacity available in Ontario. Bruce Power is an entity controlled by British Energy plc. The operating lease will have an initial lease term of approximately 18 years and will include options to extend the lease for up to an additional 25 years. The completion of the transaction, which is expected to take place in 2001, is subject to usual closing conditions, including obtaining the necessary licenses from the CNSC and the Ontario Energy Board.

The lease agreement requires an initial payment of $625 million, payable in three installments. This includes $400 million, subject to closing adjustments, payable to OPG on closing and $225 million payable in two equal installments of $112.5 million, no later than 4 and 6 years from the date the transaction is completed. Bruce Power will also make annual lease payments during the initial lease term that will consist of both fixed and variable payments. In aggregate, the initial payment and annual lease payments to OPG are estimated at $3.1 billion. OPG will continue to be responsible for nuclear waste and decommissioning liabilities at the Bruce site.

18. DECONTROL, JOINT VENTURES AND PARTNERSHIPS CONTINUED

Information Technology Initiative

In November, OPG entered into an agreement to form a joint venture with Business Transformation Services Inc. ("BTS"), a wholly-owned subsidiary of Cap Gemini Ernst & Young to transfer OPG's Information Services Group ("ISG") to New Horizon System Services Inc. ("New Horizon"), a joint venture that will be owned 51 per cent by BTS and 49 per cent by OPG. Approximately 600 employees within ISG will be transferred to New Horizon. The ten-year agreement is expected to close in early 2001 and includes provisions that allow BTS to re-assess the joint venture agreement up to 2002.

19. Comparative Figures

Certain of the 1999 comparative figures have been reclassified to conform to the 2000 financial statement presentation.

OTHER GOVERNMENT ORGANIZATIONS

AGRICORP

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Provincial Auditor on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Brad Caron

Alan Steel
Chief Executive Officer

J. Bradley Caron
Chief Financial Officer

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2001 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 15, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

AGRICORP

Balance Sheet
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
ASSETS		
Cash	3,623	599
Accounts receivable (Note 4)	48,341	11,103
Funds under administration (Note 5)	18,457	29,878
Investments (Note 6)	294,000	324,331
Due from the Minister of Finance (Note 7)	229,601	237,337
Capital assets (Note 8)	712	752
	594,734	604,000
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	2,595	1,949
Unearned premiums and revenue (Note 9)	8,823	9,836
Provision for unsettled indemnities	130,124	65,300
Funds under administration payable (Note 5)	18,457	29,878
	159,999	106,963
Fund Balances (Note 1)		
General Fund	1,526	1,435
Ontario Crop Insurance Fund	300,765	322,646
Market Revenue Program	132,444	172,956
	434,735	497,037
	594,734	604,000

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Chief Executive Officer

AGRICORP

Statement of Operations and Fund Balance – General Fund
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Revenue		
Operating funding (Note 10)	10,090	15,472
Sales, consulting and other services	1,544	1,070
Interest Income	99	(144)
Reinsurance adjusting costs received (Note 11)	1,217	—
	12,950	16,398
Expenses		
Selling, general and administrative	12,313	15,874
Depreciation	546	616
	12,859	16,490
Excess (deficiency) of revenue over expenses	91	(92)
Fund balance, beginning of year	1,435	1,527
Fund balance, end of year	1,526	1,435

See accompanying notes to financial statements.

AGRICORP

Statement of Operations and Fund Balance – Ontario Crop Insurance Fund
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Revenue		
Premium from insured producers	31,646	35,447
Premium funding – Ontario and Canada (Note 3)	31,646	35,447
Interest and investment income	20,260	15,286
Reinsurance received (Note 11)	44,240	—
Bad debt recoveries	98	278
	127,890	86,458
Expenses		
Indemnities (Note 12)	144,174	32,415
Reinsurance (Note 11)	5,597	6,149
	149,771	38,564
Excess (deficiency) of revenue over expenses	(21,881)	47,894
Fund balance, beginning of year	322,646	274,752
Fund balance, end of year	300,765	322,646

See accompanying notes to financial statements.

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Statement of Operations and Fund Balance – Market Revenue Program
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Revenue		
Premium funding – Ontario and Canada (Note 3)	72,512	11,984
Interest income	12,319	15,035
	84,831	27,019
Expenses		
Indemnities (Note 12)	125,343	142,125
Excess (deficiency) of revenue over expenses	(40,512)	(115,106)
Fund balance, beginning of year	172,956	288,062
Fund balance, end of year	132,444	172,956

See accompanying notes to financial statements.

AGRICORP

Cash Flow Statement
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses		
▪ General Fund	91	(92)
▪ Ontario Crop Insurance Fund	(21,881)	47,894
▪ Market Revenue Program	(40,512)	(115,106)
Adjustments to reconcile net income to funds provided by operating activities		
▪ Depreciation	546	616
▪ Net change in working capital	34,955	26,258
Cash flows from operating activities	(26,801)	(40,430)
Cash Flows from Investing Activities		
Purchase of capital assets	(506)	(381)
Decrease/(Increase) in investments	30,331	(39,656)
Cash flows used in investing activities	29,825	(40,037)
Net decrease in cash	3,024	393
Cash at beginning of year	599	206
Cash at end of year	3,623	599

See accompanying notes to financial statements.

AGRICORP

Notes to Financial Statements
March 31, 2001

1. NATURE OF OPERATIONS

The *AgriCorp Act, 1996* established AgriCorp as a new Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food and rural sectors of Ontario. Current safety net programs include Crop Insurance and the Market Revenue Program.

The Ontario Crop Insurance Fund was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. The program provides growers with protection on all major crops grown in Ontario, against yield reduction caused by natural perils.

The Market Revenue program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement established by the Government of Canada with the provinces and commenced operations on April 1, 1991. The Program protects farmers against reduced income caused by low market prices of certain designated crops.

In January 2001, AgriCorp assumed responsibility from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) for the delivery of the Farm Business Registration Program established under the *Farm Registration and Farm Organizations Funding Act, 1993*. AgriCorp's obligations under an agreement with OMAFRA primarily include registration of farm businesses, collection of registration fees and forwarding of receipts to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

(b) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the assets as listed below.

Furniture and fixtures	4 years
Vehicles	4 years
Machinery and equipment	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	remaining life of the lease

(c) Pension Plan

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is actuarially determined by an independent actuary using the projected benefit

AGRICORP

Notes to Financial Statements
March 31, 2001

method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

(d) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts and write-downs to market value are reported in investment income. Market Revenue, Crop Insurance and General Fund cashflows and investments are segregated avoiding the need for allocation of investment income. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(e) Provision for Unsettled Indemnities

Provision for unsettled indemnities represents management's best estimates of amounts to be paid. Some commodity price variables for the Market Revenue Program payment calculations cannot be finalized until the end of the 2001 calendar year. Certain Crop Insurance claims remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management estimates were made.

(f) Revenue Recognition

Premiums received in the period are deferred for crops which will be harvested subsequent to the end of the fiscal year.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(a) Crop Insurance

The current Canada-Ontario Crop Insurance Agreement came into effect April 1, 1997 and has no explicit expiry date. It can be terminated by either party with advance notice of two complete fiscal years. Under the terms of the Agreement, the Province and the Federal government share equally the cost of 50% of the premium with the producers paying the remaining 50%. The two levels of government share equally the selling, general and administrative expenses.

(b) Market Revenue

In September 2000, the Governments of Canada and Ontario extended the Canada-Ontario Market Revenue Agreement to include the 1999 and 2000 crop years. Under the terms of the Agreement, the Federal government is required to contribute $10 million to the Market Revenue Program on November 1st of each year. Canada will also contribute amounts per fiscal year subject to the availability of funds for this program. Ontario's contribution to the program is based on the residual funds available after deducting the contributions made to other programs from the total amount appropriated annually for safety net support. The Province and the Federal government each share equally in the cost of the selling, general and administrative expenses.

AGRICORP

Notes to Financial Statements
March 31, 2001

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2001 ($000s)	2000 ($000s)
Government funding	36,505	9,425
Accrued interest	27	35
Producer premiums, net	2,504	1,355
Trade	353	288
Reinsurance receivable	8,952	—
	48,341	11,103

5. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture, Food and Rural Affairs. The funds required to make payments under these programs are provided by Ontario and Canada.

	2001 ($000s)	2000 ($000s)
Funds Under Administration		
Short-term investments	111,673	30,355
Outstanding payments	(93,216)	(477)
	18,457	29,878
Funds Under Administration Payable		
Ontario Whole Farm Relief Program	11,013	29,783
Ontario Farm Income Disaster Program	4,922	—
Ontario Grain Stabilization Payment	2,261	—
Ontario Farm Business Registration Program	144	—
Other	117	95
	18,457	29,878

AGRICORP

Notes to Financial Statements
March 31, 2001

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high grade money market instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio Profile

Investments are as follows:

	2001		2000	
	Carrying Amount ($000s)	Fair Value ($000s)	Carrying Amount ($000s)	Fair Value ($000s)
Short-term	16,731	16,659	92,052	91,958
Long-term				
Government of Canada	47,965	46,961	54,823	53,363
Province of Ontario	32,609	33,305	32,831	32,091
Other provincial governments	48,734	48,106	51,229	48,420
Provincial utilities	46,685	46,612	47,306	45,270
Other financial institutions	101,276	101,032	46,090	43,735
Total long-term	277,269	276,016	232,279	222,879
Total Investments	294,000	292,675	324,331	314,837

(b) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 5.0% to 10.875% with a weighted average yield of 6.56%. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. This could result in realized gains or losses if actual claims levels differed significantly from expected and quick liquidation of assets were required to meet obligations. At March 31, 2001, a 1% move in interest rates could impact the market value by approximately $9.9 million but bonds are generally held to maturity.

AGRICORP

Notes to Financial Statements
March 31, 2001

(c) Maturity Profile of the Investment Portfolio

	2001 ($000s)	2000 ($000s)
<1 Year	16,731	92,052
1-3 Years	53,032	4,269
3-5 Years	58,509	17,696
>5 Years	165,728	210,314
Total	294,000	324,331

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of AgriCorp.

8. CAPITAL ASSETS

	March 31, 2001			2000
	Cost ($000s)	Accumulated Amortization ($000s)	Net Book Value ($000s)	Net Book Value ($000s)
Computer hardware	1,382	957	425	490
Computer software	996	832	164	112
Leasehold improvements	115	83	32	55
Machinery and equipment	108	32	76	65
Vehicles	50	44	6	19
Furniture and fixtures	18	9	9	11
	2,669	1,957	712	752

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Crop Insurance Fund for winter wheat ($3.99 million), forage ($2.00 million) and other crops ($1.99 million). These crops are not harvested until after the end of the fiscal year giving rise to the deferral of the premiums. Unearned revenue ($0.84 million) includes operating funding related to the unamortized value of capital assets.

AGRICORP

Notes to Financial Statements
March 31, 2001

10. OPERATING FUNDING

Canada and Ontario have agreed to share equally the costs of administering the Ontario Crop Insurance Fund and the Market Revenue Program. The Federal contribution shall not be more than the provincial share even if that amounts to less than 50% of the incurred costs. Based on a reasonable estimate of the administrative workload, these costs are allocated to the Fund and Program 95% and 5%, respectively.

11. REINSURANCE AGREEMENT

In May 1998, a program of reinsurance was entered into with a number of insurance carriers. This program provides for the reinsuring companies to assume crop insurance losses from 150% to 300% of total premiums.

For the 2000 crop year, crop insurance losses surpassed the established threshold for reinsurance coverage. Payments made by reinsurance companies represent claims submitted for crop losses as well as adjusting costs incurred by the Corporation.

12. INDEMNITIES

The Ontario Crop Insurance Fund's operating results for the current period includes a $1.05 million under-provision for unsettled indemnities as at March 31, 2000 (1999 - $6,600 over-provision for indemnities).

The Market Revenue Program's operating results for the current period includes a $711,000 over-provision of unsettled indemnities as at March 31, 2000 (1999 - $14.1 million under-provision). In addition, the Market Revenue Program's operating results for the current period include a provision for unsettled indemnities relating to the 2000 crop year of $126.1 million (1999 - $64.3 million).

13. SEGMENTED INFORMATION

	General Fund	Crop Insurance Fund	Market Revenue Program	Total 2001	Total 2000
			($000s)		
Assets					
Cash	1,367	2,256	—	3,623	599
Accounts receivable	1,064	18,276	29,001	48,341	11,103
Funds under administration	18,457	—	—	18,457	29,878
Investments	693	293,307	—	294,000	324,331
Due from the Minister of Finance	—	—	229,601	229,601	237,337
Capital assets	712	—	—	712	752
Inter-fund receivables/(payables)	552	(475)	(77)	—	—

AGRICORP

Notes to Financial Statements
March 31, 2001

	22,845	313,364	258,525	594,734	604,000
Liabilities					
Accounts payable and accrued liabilities	2,023	545	27	2,595	1,949
Unearned premiums and revenue	839	7,984	—	8,823	9,836
Provision for unsettled indemnities	—	4,070	126,054	130,124	65,300
Funds under administration payable	18,457	—	—	18,457	29,878
	21,319	12,599	126,081	159,999	106,963
Fund Balances	1,526	300,765	132,444	434,735	497,037
	22,845	313,364	258,525	594,734	604,000

14. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation and the fair value of the net assets available to provide for the obligation, are as follows:

	2001 ($000s)	2000 ($000s)
Accrued pension obligation	1,915	1,504
Fair value of plan assets	1,873	1,612
Pension plan surplus (deficit)	(42)	108

Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7.5% per year, salary escalation was assumed to be 5% per year and 7% was used as the discount rate.

The pension plan moved from a surplus to a deficit during the fiscal year due to negative investment earnings. Plan assets are invested in three balanced funds and one global equity fund.

	2001 ($000s)	2000 ($000s)
Fair value of plan assets - beginning	1,612	921
Contributions by the corporation	248	272
Contributions by the employees	248	263
Benefit payments	(164)	(85)
Return on plan assets	(71)	241
Fair value of plan assets – ending	1,873	1,612

AGRICORP

Notes to Financial Statements
March 31, 2001

To date, the Corporation has an accrued pension benefit liability as follows:

	2001 ($000s)	2000 ($000s)
Accrued benefit liability – beginning	28	23
Pension expense for the year	253	277
Contributions by the corporation	(248)	(272)
Accrued benefit liability – ending	33	28

15. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. Under the terms of the agreements the Corporation paid the Ministry $324,987 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. The Corporation paid the Management Board Secretariat $304,081 for mainframe computer services. In addition, the Corporation paid the Ontario Realty Corporation $320,735 to rent their head office location.

16. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was $53,240 during the year ending March 31, 2001 (2000 - $84,500).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2000 calendar year, the Corporation's Chief Information Officer, Mr. Brett McClelland, was paid a salary of $102,035 plus taxable benefits of $8,316, and the General Manager, Crop Insurance, Mr. George Sutton was paid a salary of $100,210 plus taxable benefits of $7,743.

17. LEASE COMMITMENTS

The Corporation is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($000s)
2002	170
2003	170
	340

AGRICORP

Notes to Financial Statements
March 31, 2001

18. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

CANCER CARE ONTARIO

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

June 26, 2001

Mr. Peter Crossgrove, Chair
Cancer Care Ontario
16th Floor, 620 University Avenue
Toronto, Ontario
M5G 2L7

Dear Mr. Crossgrove:

In accordance with section 12 of the *Cancer Act*, an audit of the accounts and financial transactions of Cancer Care Ontario has been completed for the year ended March 31, 2001. A copy of the audited financial statements is enclosed.

You will be pleased to note that I have given an unqualified audit opinion on the enclosed financial statements. The audit procedures and tests to determine my opinion are not designed to identify all weaknesses in internal controls, to provide assurances on systems and procedures as such, nor to detect all instances of non-compliance. The audit is designed to deal with financial stewardship and therefore does not deal with value-for-money issues.

Nevertheless, areas where we believe improvements in the accounting system can be made and which came to our notice in conducting this financial audit, will be addressed in a management letter which will be forwarded under separate cover.

Twenty-four additional copies of the audited financial statements are enclosed for distribution to the members of the Board of Directors and senior officials of Cancer Care Ontario. Copies have also been forwarded to the Minister and Deputy Minister of Health and Long-Term Care, and to the Secretary of Management Board.

Sincerely,

J.R. McCarter, CA
Assistant Provincial Auditor

/mg
Encl.

CANCER CARE ONTARIO

Statement of Financial Position
(In thousands of dollars)
March 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash	$ 9,377	$ 1,728
Short-term investments	–	3,887
Accounts receivable	10,905	7,342
Due from the Ministry of Health and Long Term Care	34,025	20,739
Other	3,637	2,455
	57,944	36,151
Long-term investments (note 2)	60,531	61,979
Accrued pension asset (note 3)	11,726	8,014
Capital assets (note 4)	29,438	26,951
Other	548	628
	$ 160,187	$ 133,723
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 57,048	$ 37,906
Post-retirement benefits other than pensions (note 6)	2,955	–
Deferred contributions:		
Deferred operating grants (note 5(a))	11,112	9,372
Deferred depreciation grant (note 5(b))	8,253	7,705
Deferred contributions related to capital assets (note 5(c))	15,860	10,777
	35,225	27,854
Fund balances:		
Endowment	2,945	2,870
Internally and externally restricted	30,893	26,834
Invested in capital assets (note 7)	13,578	16,174
Related to post-retirement benefits (note 8)	8,771	8,014
Unrestricted	8,772	14,071
	64,959	67,963
Commitments (note 12)		
Contingency (note 13)		
	$ 160,187	$ 133,723

See accompanying notes to financial statements

On behalf of the Board

Director

Director

CANCER CARE ONTARIO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2001, with comparative figures for 2000

	Restricted		General	
	2001	2000	2001	2000
Revenue:				
Ministry of Health and Long Term Care	$ –	$ –	$ 239,876	$ 209,734
Investment income (note 9)	1,060	889	3,447	2,034
Donations, bequests and grants	8,061	13,824	615	738
Amortization of deferred contributions related to capital assets (note 5(c))	1,254	1,055	4,239	5,056
Other income	14,462	–	11,367	8,918
	24,837	15,768	259,544	226,480
Expenses:				
Salaries	3,977	4,166	124,605	114,229
Benefits	604	659	17,054	15,645
Other operating (note 10)	13,413	9,816	51,728	47,342
Drugs	54	21	48,427	32,296
Medical and surgical services and supplies	894	794	14,702	10,300
Amortization of capital assets	1,254	1,055	11,238	12,130
Pension surplus (note 3)	–	–	(3,712)	(5,846)
Post-retirement benefits other than pensions (note 6)	–	–	3,147	–
	20,196	16,511	267,189	226,096
Excess (deficiency) of revenue over expenses	$ 4,641	$ (743)	$ (7,645)	$ 384

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Changes in Fund Balances
(In thousands of dollars)

Year ended March 31, 2001, with comparative figures for 2000

			General			2001	2000
	Endowment	Restricted	Invested in capital assets	Related to post-retirement benefits	Unrestricted	Total	Total
			(note 7)	(note 8)			
Balance, beginning of year	$ 2,870	$ 26,834	$ 16,174	$ 8,014	$ 14,071	$ 67,963	$ 68,322
Excess (deficiency) of revenue over expenses	75	4,566	(6,999)	757	(1,403)	(3,004)	(359)
Interfund transfers (note 11)	–	(507)	–	–	507	–	–
Investment in capital assets (note 7)	–	–	4,403	–	(4,403)	–	–
Balance, end of year	$ 2,945	$ 30,893	$ 13,578	$ 8,771	$ 8,772	$ 64,959	$ 67,963

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses - Restricted	$ 4,641	$ (743)
Excess (deficiency) of revenue over expenses - General	(7,645)	384
Amortization of capital assets	12,492	13,185
Amortization of deferred contributions related to capital assets	(5,493)	(6,111)
Change in non-cash operating working capital	2,642	(26,081)
	6,637	(19,366)
Investments:		
Short-term investments, net	3,887	29,568
Long-term investments, net	1,448	(1,132)
Purchase of capital assets:		
Funded by contributions for capital assets	(10,576)	(4,443)
Internally funded	(4,403)	(7,486)
Other assets	80	170
Deferred contributions related to capital assets	10,576	4,443
	1,012	21,120
Increase in cash	7,649	1,754
Cash (bank indebtedness), beginning of year	1,728	(26)
Cash, end of year	$ 9,377	$ 1,728

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2001

The government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997. It will facilitate significant improvements for cancer patients, their families and the public in the outcome, quality and efficiency of cancer services. The cancer services will encompass prevention, early detection, diagnosis, treatment, supportive care, research and education. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of Legislature of the Province of Ontario in 1943 and the name of the Organization was changed on May 28, 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act.

1. Significant accounting policies:

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred contributions and fund balances at the date of the financial statements and the reported amounts on the statement of operations and changes in fund balances during the year. Actual results could differ from those estimates.

(a) Fund accounting:

The Organization uses the Restricted Fund method of accounting for contributions.

The General Fund accounts for the Organization's Ministry of Health and Long Term Care funded programs and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Restricted Fund reports all externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor or have been received by a centre and are restricted for use by that centre.

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

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1. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to Ministry of Health and Long Term Care funded programs are recognized as revenue of the General Fund in the year which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Contributions for endowment are recognized as revenue of the appropriate Endowment Fund in the year of receipt.

Restricted investment income earned on Endowment Fund resources are recognized as revenue of the Restricted Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received.

(c) Inventory:

Drug inventory is stated at lower of cost and net realizable value, and is included in other current assets.

(d) Investments:

Short-term investments are stated at cost, which approximates market. Short-term investments are those with original terms to maturity in excess of three months but less than one year. Short-term investments with maturity of less than three months are recorded as cash. Long-term investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

---

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost. Contributions received for the purchase of capital assets are recorded as grants for capital assets and amortized on the same basis as the capital assets. All capital assets are amortized on a straight-line basis at 20% per annum.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

(f) Contributed services:

The Organization benefits from services provided by volunteers at the regional cancer centres. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Post-retirement benefits:

(i) Pension costs:

The pension expense and obligation have been actuarially determined using a modified unit credit methodology pro rated on services and based on management's best estimate assumptions. The pension expense for the year also includes adjustments for plan amendments and changes in assumptions which are being amortized on a straight-line basis over the average remaining service period of active plan members. Experience gains or losses which exceed 10% of the greater of the benefit obligation and the fair value of plan assets are amortized over the average remaining service period of active plan members.

(ii) Post-retirement benefits other than pensions:

Commencing April 1, 2000, the Organization prospectively applied the new accounting recommendations for employee future benefits as they apply to post-retirement benefits other than pensions.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

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1. **Significant accounting policies (continued):**

The transitional obligation is being amortized over the average remaining service period of active employees expected to receive benefits under the benefit plans.

The cost of post-retirement benefits other than pensions is actuarially determined using the projected benefit method prorated on employment services and is expensed as employment services are rendered.

2. **Long-term investments:**

The carrying value and market value of the Organization's long-term investments at March 31, 2001 are as follows:

2001	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 5,382	$ 5,382	4.9%	Under 1 year
Bonds	45,305	46,460	5.0 - 10.25%	0 - 28 years
Equities	9,844	9,460	N/A	N/A
	$ 60,531	$ 61,302		

2000	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 3,583	$ 3,583	5.2%	Under 1 year
Bonds	50,095	49,775	5.0% - 5.35%	1 - 50 years
Equities	8,301	9,887	N/A	N/A
	$ 61,979	$ 63,245		

Interest rate sensitivity is the main determinant of changes in the market value of the bonds.

The Organization does not have any significant exposure from investment concentration due to the diversified nature of the portfolio investments.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

3. Pension costs and accrued pension asset:

The Organization has a defined contribution pension plan with a minimum defined benefit guarantee. As at March 31, 2001, the market value of pension assets was $191,309 (2000 - $187,190) and the accrued value of the pension obligation was $151,387 (2000 - $126,562). As at March 31, 2001, the funded status of the plan surplus is $39,922 (2000 - $60,628).

Contributions made by the Organization during the year were $3,691 (2000 - $3,912). Contributions made by the employees during the year were $3,691 (2000 - $3,912). The amount of benefits paid during the year was $7,715 (2000 - $7,210).

The actuarial present value of the accrued pension benefits is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

Discount rate	7%
Salary increases	5% per annum
Expected net rate of return on the plan assets	6.5% per annum

The pension income for the year ended March 31, 2001 is $21. The excess of funding contributions over the pension income for the year of $3,712 is included in the accrued pension asset of $11,726 on the statement of financial position as at March 31, 2001.

4. Capital assets:

			2001	2000
	Cost	Accumulated amortization	Net book value	Net book value
Office furniture, equipment and leasehold improvements	$ 28,987	$ 24,649	$ 4,338	$ 5,002
Therapeutic and other technical equipment	112,555	91,546	21,009	20,646
Radioactive cobalt and radium	943	855	88	130
Deposits on equipment	4,003	–	4,003	1,173
	$ 146,488	$ 117,050	$ 29,438	$ 26,951

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

5. Deferred contributions:

(a) Deferred operating grants:

Deferred operating grants represent unspent resources related to Ministry of Health and Long Term Care funded programs. Unspent amounts are held for use in subsequent periods or settlement by the Ministry. Changes in the deferred operating grant balance are as follows:

	2001	2000
Balance, beginning of year	$ 9,372	$ 13,084
Amounts received related to subsequent periods	9,063	5,785
Amount recognized as revenue	(1,933)	(9,451)
Amount returned to the Ministry of Health and Long Term Care	(5,390)	(46)
Balance, end of year	$ 11,112	$ 9,372

(b) Deferred depreciation grants:

Deferred depreciation grants represent unspent resources related to Ministry of Health and Long Term Care depreciation. Funding changes in the deferred depreciation grant balance are as follows:

	2001	2000
Balance, beginning of year	$ 7,705	$ 7,466
Amounts related to subsequent periods	548	239
Balance, end of year	$ 8,253	$ 7,705

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

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5. **Deferred contributions (continued):**

(c) Deferred contributions related to capital assets:

Deferred contributions for capital assets represent funds received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded in the statement of operations. Contributions are amortized on a straight-line basis at 20% per annum. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2001	2000
Balance, beginning of year	$ 10,777	$ 12,445
Amounts received related to capital assets	10,576	4,443
Amount recognized in revenue	(5,493)	(6,111)
Balance, end of year	$ 15,860	$ 10,777

6. **Post-retirement benefits other than pensions:**

The Organization offers non-pension, post-retirement benefits to its employees, such as extended health care and drugs.

The accrued benefit liability as at March 31, 2001 under this unfunded plan is $2,955. The expense recognized for the year is $3,147.

The unamortized transitional obligation as at March 31, 2001 is $14,775.

The accrued benefit obligation as at March 31, 2001 is $17,730.

Benefits paid during the year were $192.

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligation are as follows:

Discount rate	7%
Salary increases	5%
Hospital and dental care	10% in 2001 to 4% in 2006
Normal retirement age	65

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

7. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2001	2000
Capital assets	$ 29,438	$ 26,951
Deferred capital contributions	(15,860)	(10,777)
	$ 13,578	$ 16,174

Change in net assets invested in capital assets is calculated as follows:

	2001	2000
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 5,493	$ 6,111
Amortization of capital assets	(12,492)	(13,185)
	$ (6,999)	$ (7,074)
Net change in invested capital assets:		
Purchase of capital assets	$ 14,979	$ 11,929
Deferred contributions related to capital assets	(10,576)	(4,443)
	$ 4,403	$ 7,486

8. Fund balance related to post-retirement benefits:

The fund balance related to post-retirement benefits represents the accrued pension assets, net of the post-retirement benefits other than pension.

9. Investment income:

Net investment income earned on the Endowment Fund resources in the amount of $118 (2000 - $73) is included in the Restricted Fund.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

10. Other operating expenses:

	2001	2000
Restricted Fund:		
Research and other	$ 13,413	$ 9,816
General Fund:		
Purchase services	$ 16,641	$ 14,165
Building	9,267	8,677
Equipment	9,164	11,015
Other	8,870	7,299
Patient travel - referral program	6,030	4,547
Education and research programs and publications	956	839
Patient services	800	800
	$ 51,728	$ 47,342

11. Interfund transfers:

Transfer to the General Fund from the Restricted Fund	$ 507

The transfer from the Restricted Fund to the General Fund represents the release of internally restricted reserves.

12. Commitments:

The Organization leases computer and office equipment. Under the terms of the leases, future payments are estimated as follows:

2002	$ 1,947
2003	1,002
2004	364
2005	66
2006	2
	$ 3,381

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2001

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13. Contingency:

In July 1989, the Organization became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which is established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since its inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2001.

14. Comparative figures:

Certain of the 2000 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2001.

Cancer Care Ontario

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Abu-Zahra	*Hakam*	*Medical Oncologist*	*$133,846.81*	*$128.72*
Ackerman	*Ida*	*Radiation Oncologist*	*$133,885.49*	*$415.37*
Agboola	*Olvsegun*	*Radiation Oncologist*	*$136,655.35*	*$416.54*
Aitken	*Susan*	*Medical Oncologist*	*$116,830.44*	*$240.70*
Alam	*Zeenat*	*Medical Oncologist*	*$153,763.14*	*$399.02*
Anthes	*Margaret*	*Radiation Oncologist*	*$144,827.48*	*$381.36*
Arjune	*Banskumar*	*Physicist*	*$116,605.72*	*$242.91*
Arnold	*Andrew*	*Head, Medical Oncology*	*$156,100.43*	*$448.86*
Assuras	*John*	*Clinical Assistant*	*$119,431.62*	*$325.41*
Balogh	*Judith*	*Radiation Oncologist*	*$130,470.12*	*$0.00*
Barnett	*Robin*	*Supervisor Physics*	*$117,978.23*	*$314.51*
Battista	*Jerry*	*Chief Physicist*	*$128,261.11*	*$341.27*
Bauman	*Glenn*	*Head Radiation Oncology*	*$167,194.07*	*$441.38*
Benger	*Ann*	*Haematologist*	*$140,223.59*	*$416.96*
Berry	*Scott*	*Medical Oncologist*	*$104,944.82*	*$315.15*
Bertothy	*Michele*	*Clinical Assistant*	*$103,847.78*	*$284.36*
Bissett	*Randall*	*CEO/Radiation Oncologist*	*$254,650.07*	*$856.44*
Bowen	*Julie*	*Radiation Oncologist*	*$138,793.44*	*$639.44*
Bramwell	*Vivian*	*Medical Oncologist*	*$152,970.91*	*$443.97*
Brisbane	*Darlene*	*Director, Information Services*	*$180,448.61*	*$411.60*
Browman	*George*	*CEO/Medical Oncologist*	*$191,194.25*	*$479.28*
Brundage	*Michael*	*Radiation Oncologist*	*$174,459.52*	*$413.64*
Brunskill	*Ian*	*Senior VP, Planning & Administration*	*$141,733.78*	*$0.00*
Cairncross	*Gregory*	*CEO/Medical Oncologist*	*$155,582.40*	*$452.17*
Cameron	*Ian*	*Medical Physicist*	*$106,315.40*	*$248.80*
Campbell	*Ian*	*Chief Operating Officer*	*$101,481.72*	*$268.92*
Cano	*Pablo*	*Medical Oncologist*	*$188,832.03*	*$721.96*
Chart	*Pamela*	*Director, Preventive Oncology*	*$104,270.15*	*$284.37*
Chen	*Zonghua*	*Physicist*	*$101,024.37*	*$215.78*
Choo	*Richard*	*Radiation Oncologist*	*$130,885.49*	*$415.37*
Chouinard	*Edmond*	*Medical Oncologist*	*$140,223.59*	*$416.96*
Chow	*Edward*	*Radiation Oncologist*	*$105,378.02*	*$315.15*
Chow	*Thomas*	*Physicist*	*$101,717.60*	*$232.44*
Corbett	*Thomas*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Covens	*Allen*	*Head, Gynecological Oncology*	*$127,143.41*	*$430.17*
Cowan	*Donald*	*Senior Consultant*	*$168,483.13*	*$371.46*
Craigie	*Pamela*	*Clinical Assistant*	*$102,661.96*	*$284.36*
Cripps	*Christine M*	*Medical Oncologist*	*$129,759.27*	*$416.54*
Cross	*Peter*	*Radiation Oncologist*	*$129,934.28*	*$416.54*
Curtis	*John*	*Medical Oncologist*	*$153,013.06*	*$418.27*
Cygler	*Joanna*	*Senior Medical Physicist*	*$120,254.40*	*$287.61*
Danjoux	*Cyril*	*Radiation Oncologist*	*$132,385.49*	*$415.37*
Dar	*Abdul*	*Radiation Oncologist*	*$154,802.35*	*$413.19*
Davey	*Phillip*	*Radiation Oncologist*	*$130,885.49*	*$415.37*
deMetz	*Catherine*	*Head, Radiation Oncology*	*$161,116.12*	*$418.27*
Dent	*Susan*	*Medical Oncologist*	*$176,080.54*	*$413.52*
Dhaliwal	*Harbhajan*	*CEO/Medical Oncologist*	*$233,657.84*	*$413.52*
Dingle	*Brian*	*CEO/Medical Oncologist*	*$123,298.53*	*$208.55*
Dixon	*Peter*	*Head, Radiation Oncology*	*$177,459.43*	*$420.36*
Doherty	*Mary*	*Radiation Oncologist*	*$130,885.49*	*$415.37*

Cancer Care Ontario

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Dunscombe	*Peter*	*Chief Physicist*	*$143,628.67*	*$313.28*
Eapen	*Libni*	*Radiation Oncologist*	*$136,655.34*	*$416.54*
Elit	*Laurie*	*Gynecological Oncologist*	*$119,584.00*	*$416.96*
Esche	*Bernd*	*Radiation Oncologist*	*$108,221.56*	*$333.24*
Evans	*William*	*VP/Program Leader, Systemic Therapy*	*$147,225.87*	*$267.49*
Farrell	*Thomas*	*Physicist*	*$112,511.19*	*$263.96*
Favell	*Lisa*	*Director, Capital Planning*	*$114,207.25*	*$272.73*
Figueredo	*Alvaro*	*Medical Oncologist*	*$140,223.59*	*$413.96*
Fisher	*Barbara*	*Radiation Oncologist*	*$159,802.35*	*$413.19*
Friedman	*Elaine*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Froud	*Peter*	*Radiation Oncologist*	*$112,876.48*	*$301.84*
Garcia	*John*	*Director, Prevention Unit*	*$121,472.59*	*$330.81*
Gerig	*Lee*	*Chief Medical Physicist*	*$132,528.91*	*$316.72*
Germond	*Colin*	*Program Leader, Systemic Treatment*	*$244,965.93*	*$825.24*
Gertler	*Stan*	*Medical Oncologist*	*$129,759.28*	*$416.54*
Gilchrist	*James*	*Radiation Oncologist*	*$164,802.35*	*$413.19*
Ginsburg	*David*	*Medical Oncologist*	*$110,894.46*	*$334.40*
Girard	*Andre*	*Radiation Oncologist*	*$152,268.53*	*$448.02*
Goel	*Rakesh*	*Medical Oncologist*	*$129,759.26*	*$416.54*
Goss	*Glenwood*	*Medical Oncologist*	*$129,499.25*	*$416.54*
Gregg	*Richard*	*Medical Oncologist*	*$136,328.44*	*$413.64*
Grimard	*Laval*	*Radiation Oncologist*	*$136,655.35*	*$416.54*
Grunfeld	*Eva*	*Clinical Assistant*	*$138,562.08*	*$0.00*
Gudelis	*Susan*	*Clinical Assistant*	*$105,655.57*	*$283.02*
Gulavita	*Sunil*	*Head, Radiation Oncology*	*$224,239.91*	*$413.52*
Halikowski	*Marvin*	*Clinical Assistant*	*$159,399.20*	*$325.41*
Hamilton	*Mike*	*Dentist*	*$115,305.41*	*$312.40*
Hammond	*James*	*Radiation Oncologist*	*$154,671.77*	*$415.21*
Hayter	*Charles*	*Radiation Oncologist*	*$130,599.29*	*$413.49*
Herst	*Jordan*	*Medical Oncologist*	*$156,114.18*	*$650.90*
Hirte	*Holger (Hal)*	*Medical Oncologist*	*$140,223.59*	*$416.96*
Hodson	*Ian*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Hollenberg	*Charles*	*Senior Consultant*	*$200,405.90*	*$369.72*
Holowaty	*Eric*	*Director, Surveillance Unit*	*$127,206.26*	*$347.48*
Imrie	*Kevin*	*Medical Oncologist*	*$133,470.12*	*$0.00*
Iscoe	*Neill*	*Medical Oncologist*	*$133,885.49*	*$415.37*
Jadad	*Alejandro*	*Associate Medical Director*	*$140,258.55*	*$254.64*
Johanson	*Curtis*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Jones	*Glenn*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Jordan	*Kevin*	*Physicist*	*$102,644.19*	*$223.67*
Karsan	*Farrok*	*Radiation Oncologist*	*$234,427.61*	*$804.72*
Kendal	*Wayne*	*Radiation Oncologist*	*$110,762.15*	*$319.54*
Kerr	*Andrew*	*Medical Physicist*	*$109,228.43*	*$249.56*
Khosla	*Naresh*	*Senior VP/Chief Financial Officer*	*$181,387.75*	*$425.97*
Kim	*John*	*Radiation Oncologist*	*$104,934.88*	*$305.21*
Knight	*Andrew*	*Clinical Assistant*	*$144,107.16*	*$324.28*
Knight	*Susan*	*Medical Oncologist*	*$130,932.36*	*$379.58*
Kocha	*Walter*	*Medical Oncologist*	*$142,880.91*	*$412.67*
Koropatnick	*James*	*Director, Cancer Research Labs*	*$113,223.89*	*$249.64*
Kotalik	*Jaroslav*	*Radiation Oncologist*	*$164,047.92*	*$316.02*

Cancer Care Ontario

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Lada	*Barbara*	*Radiation Oncologist*	*$234,465.57*	*$804.72*
Lam	*Kit Ying*	*Senior Medical Physicist*	*$111,514.51*	*$256.53*
Lassam	*Norman*	*Clinician Scientist*	*$110,294.25*	*$284.82*
Laukkanen	*Ethan*	*CEO/Radiation Oncologist*	*$170,536.44*	*$437.52*
Leszczynski	*Konrad*	*Senior Physicist*	*$122,645.70*	*$264.26*
Levin	*Leslie*	*Seconded to Ministry of Health & Long-Term Care as Special Adviser of Cancer Issues*	*$251,293.46*	*$482.04*
Levine	*Mark*	*Medical Oncologist*	*$140,223.59*	*$0.00*
Lewis	*Craig*	*Physicist*	*$111,445.88*	*$243.36*
Lightstone	*Alexander*	*Medical Physicist*	*$106,343.23*	*$235.12*
Lofters	*Wycliffe*	*Head, Medical Oncology*	*$146,911.32*	*$434.16*
Logan	*Diane*	*Medical Oncologist*	*$129,759.25*	*$416.54*
Lohmann	*Reinhard*	*Medical Oncologist*	*$137,931.75*	*$413.19*
Lopez	*Pedro*	*Medical Oncologist*	*$219,383.61*	*$804.72*
Lukka	*Himu*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
MacDonald	*David*	*Medical Oncologist*	*$137,855.57*	*$412.50*
Mackenzie	*Robert*	*Radiation Oncologist*	*$130,885.49*	*$415.37*
MacKillop	*William*	*Head, Radiation Oncology*	*$185,042.40*	*$434.16*
Mah	*Katherine*	*Senior Medical Physicist*	*$121,090.29*	*$0.00*
Mai	*Verna*	*Director, Screening Programs*	*$171,815.02*	*$469.04*
Major	*Pierre*	*Medical Oncologist*	*$140,223.59*	*$416.96*
Malik	*Saleem*	*Radiation Oncologist*	*$154,121.24*	*$36.58*
Malone	*Shawn*	*Radiation Oncologist*	*$136,655.35*	*$416.54*
Marcellus	*Deborah*	*Hematologist*	*$119,381.23*	*$0.00*
Maroun	*Jean*	*Medical Oncologist*	*$145,196.74*	*$448.02*
Mazurka	*John*	*Gynecological Oncologist*	*$119,703.28*	*$416.96*
McCulloch	*Peter*	*Medical Oncologist*	*$140,223.59*	*$416.96*
McGhee	*Peter*	*Head, Medical Physics*	*$144,633.58*	*$311.24*
McGowan	*Thomas*	*Executive VP/Coordinator, Radiation*	*$204,492.32*	*$422.34*
McGurk	*Francis*	*Medical Oncologist*	*$148,759.20*	*$0.00*
Meyer	*Ralph*	*Hematologist*	*$140,223.59*	*$416.96*
Moens	*Francois*	*Gynecological Oncologist*	*$119,703.28*	*$416.96*
Morton	*Gerard*	*Radiation Oncologist*	*$130,470.12*	*$0.00*
Mui	*Jimmy*	*Radiation Oncologist*	*$124,440.00*	*$341.29*
Munro	*Peter*	*Physicist*	*$107,852.62*	*$243.36*
Neville	*Alan*	*Medical Oncologist*	*$140,223.59*	*$416.96*
Obrien	*Peter*	*Chief Physicist*	*$130,501.72*	*$332.77*
Okawara	*Gordon*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Osborne	*Raymond*	*Gynecological Oncologist*	*$120,121.61*	*$415.37*
Ostapiak	*Orest*	*Physicist*	*$101,071.54*	*$232.19*
Panjwani	*Dilip*	*Radiation Oncologist*	*$109,875.80*	*$267.32*
Paszat	*Lawrence*	*Director, Preventive Oncology*	*$101,894.96*	*$253.32*
Patel	*Malti*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Patterson	*Michael*	*Head, Medical Physics*	*$128,008.86*	*$340.14*
Perera	*Francisco*	*Radiation Oncologist*	*$154,552.35*	*$413.19*
Perry	*Gad*	*Radiation Oncologist*	*$127,505.29*	*$387.84*
Peters	*Victor*	*Physicist*	*$120,465.95*	*$284.42*
Prichard	*Hugh*	*Radiation Oncologist*	*$219,383.61*	*$639.72*
Pritchard	*Kathleen*	*Head, Clinical Trials & Epidemiology*	*$147,774.09*	*$295.53*
Pross	*Diane*	*Regional Medical Coordinator, OBSP*	*$123,598.62*	*$338.88*

Cancer Care Ontario

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Raaphorst	*Peter G*	*Chief Medical Physicist*	*$127,919.40*	*$343.86*
Radwan	*John*	*Radiation Oncologist*	*$154,729.05*	*$415.37*
Rajasingham	*Raj*	*Clinical Assistant*	*$104,270.15*	*$284.37*
Rakovitch	*Eileen*	*Radiation Oncologist*	*$122,833.79*	*$355.90*
Rapley	*Patrick*	*Physicist*	*$103,395.36*	*$216.63*
Reiter	*Harold*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Reznick	*Douglas*	*Clinical Oncologist Fellow*	*$148,875.75*	*$325.41*
Robillard	*Lucile-M*	*Clinical Assistant*	*$103,969.92*	*$287.40*
Sagar	*Stephen*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Samant	*Rajiv*	*Program Leader, Radiation Treatment*	*$210,070.87*	*$825.24*
Sathya	*Jinka*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Sawka	*Carol*	*CEO/Medical Oncologist*	*$185,989.58*	*$475.74*
Schabas	*Richard*	*Head, Preventive Oncology*	*$176,849.04*	*$407.16*
Schneider	*Kenneth*	*Radiation Oncologist*	*$153,261.25*	*$399.02*
Schreiner	*John*	*Chief Physicist*	*$119,571.94*	*$313.28*
Segal-Nadler	*Roanne*	*Medical Oncologist*	*$129,759.27*	*$416.54*
Seidenfeld	*Allan*	*Medical Oncologist, Locum*	*$100,577.95*	*$0.00*
Shehata	*Sarwat*	*Radiation Oncologist*	*$137,915.72*	*$553.60*
Shelley	*Wendy*	*Radiation Oncologist*	*$174,459.52*	*$413.64*
Shumak	*Kenneth*	*President & CEO*	*$144,758.29*	*$0.00*
Sicheri	*Dolores*	*Medical Oncologist*	*$148,955.39*	*$399.02*
Simunovic	*Marko*	*Surgical Oncologist*	*$109,830.30*	*$379.58*
Singh	*Gurmit*	*Director, Research*	*$117,908.65*	*$323.76*
Sixel	*Katharina*	*Senior Medical Physicist*	*$105,242.32*	*$236.01*
Slingerland	*Joyce*	*Clinician Scientist*	*$174,990.83*	*$420.26*
Smith	*Alasdair*	*Chief Operating Officer*	*$115,841.43*	*$259.48*
Smith	*Anne*	*CEO/Medical Oncologist*	*$161,328.48*	*$465.48*
Spaner	*David*	*Clinician Scientist*	*$174,985.70*	*$415.13*
Springer	*Colvin*	*Radiation Oncologist*	*$153,261.25*	*$399.02*
Stewart	*David*	*Medical Oncologist*	*$129,759.27*	*$416.54*
Sutherland	*Donald*	*Medical Oncologist*	*$109,380.45*	*$317.24*
Szabo	*Joseph*	*Physicist*	*$107,817.01*	*$237.15*
Szanto	*Janos*	*Senior Medical Physicist*	*$122,859.37*	*$287.61*
Szumacher	*Ewa*	*Radiation Oncologist*	*$109,492.57*	*$303.76*
Tenhunen	*Linda*	*Clinical Assistant*	*$136,009.47*	*$324.28*
Thomas	*Gillian*	*Head, Radiation Oncology*	*$154,259.93*	*$415.37*
Tomiak	*Anna*	*Medical Oncologist*	*$130,049.22*	*$382.13*
Tomiak	*Eva*	*Medical Oncologist*	*$106,676.49*	*$0.00*
Touchie	*Michael*	*Clinical Assistant*	*$103,969.96*	*$287.40*
Tozer	*Richard*	*Medical Oncologist*	*$130,932.36*	*$379.58*
Ung	*Yee*	*Radiation Oncologist*	*$133,265.17*	*$0.00*
Van Dyk	*Jake*	*Chief Physicist*	*$128,261.10*	*$341.27*
Vandenberg	*Theodore*	*Head, Medical Oncology*	*$148,555.98*	*$423.74*
Veldhuis	*Ken*	*Clinical Assistant*	*$119,431.60*	*$325.41*
Venkatesan	*Varagur*	*Radiation Oncologist*	*$154,552.35*	*$413.19*
Vergidis	*Dimitrios*	*Head, Medical Oncology*	*$239,239.92*	*$413.52*
Verma	*Shailendra*	*Medical Oncologist*	*$129,109.25*	*$416.54*
Videtic	*Gregory*	*Radiation Oncologist*	*$131,964.25*	*$0.00*
Vincent	*Mark*	*Medical Oncologist*	*$137,858.45*	*$415.37*
Voruganti	*Sachi*	*Radiation Oncologist*	*$154,986.45*	*$415.37*

Cancer Care Ontario

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Surname	Given Name	Position	Salary Paid	Taxable Benefits
Waddell	*Mary*	*Clinical Assistant*	*$103,982.47*	*$0.00*
Wang	*Xiaofang*	*Physicist*	*$107,209.38*	*$232.74*
Warner	*Ellen*	*Medical Oncologist*	*$130,882.88*	*$412.76*
Weinroth	*Judith*	*Clinical Assistant*	*$104,270.30*	*$284.52*
Whelan	*Tim*	*Radiation Oncologist*	*$140,223.59*	*$416.96*
Whitton	*Anthony*	*Radiation Oncologist*	*$156,100.43*	*$448.86*
Wierzbicki	*Rafal*	*Medical Oncologist*	*$136,128.17*	*$413.64*
Wilkins	*David*	*Senior Medical Physicist*	*$105,103.61*	*$244.78*
Winquist	*Eric*	*Medical Oncologist*	*$136,616.36*	*$415.37*
Wong	*Raimond*	*Radiation Oncologist*	*$130,932.36*	*$379.58*
Wong	*Rebecca*	*Radiation Oncologist*	*$130,885.49*	*$415.37*
Woo	*Milton*	*Senior Medical Physicist*	*$123,018.37*	*$275.06*
Wright	*Jim*	*Radiation Oncologist*	*$140,104.31*	*$416.96*
Wyman	*Douglas*	*Physicist*	*$121,049.15*	*$284.42*
Yau	*Jonathan*	*Medical Oncologist*	*$104,450.19*	*$333.24*
Yeung	*Tai*	*Senior Physicist*	*$118,495.61*	*$254.00*
Yoshida	*Sam*	*Medical Oncologist*	*$148,955.39*	*$399.02*
Young	*Scott*	*Medical Oncologist*	*$140,928.71*	*$666.44*
Young	*Vincent*	*Medical Oncologist*	*$129,759.29*	*$416.54*
Youssef	*Youssef*	*Radiation Oncologist*	*$174,459.52*	*$413.64*
Yu	*Edward*	*Radiation Oncologist*	*$154,479.05*	*$415.37*
Zellmer	*Darwin*	*Chief Physicist*	*$183,942.96*	*$418.27*

I certify that the information provided on this record is correct in accordance with the *Public Sector Salary Disclosure Act*.
This record has been approved by:

Elham Roushani	Manager, Financial Reporting
Prepared By	**Position Title**
Naresh Khosla	Chief Financial Officer
Approved By	**Position Title**
(416) 217 1207	2-Mar-01
Phone Number	**Date**

Prepared under the Public Sector Salary Disclosure Act, 1996

Ontario Science Centre
Centre des sciences de l'Ontario

June 8, 2001

Management's Responsibility
For Financial Information

Management and the Board of Trustees of the Ontario Science Centre are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by Management in accordance with generally accepted Canadian accounting principles, and, where appropriate, include amounts based on Management's best estimates and judgements.

The Ontario Science Centre is dedicated to the highest standards of integrity in its business. To safeguard assets, the Centre has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information.

The Board of Trustees meets quarterly to oversee the financial activities of the Centre, including an annual review of the financial statements and the Provincial Auditor's report.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Lesley Lewis

Lesley Lewis
Director General

Grant Troop
Acting Director
Business Planning and Operations

Auditor's Report

To the Board of Trustees of the Centennial Centre of Science and Technology
and to the Minister of Tourism, Culture and Recreation

I have audited the balance sheet of The Centennial Centre of Science and Technology as at March 31, 2001 and the statements of operations, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 8, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Balance Sheet
As at March 31, 2001

	2001 $	2000 $
ASSETS		
Current		
Cash and short-term investments	4,929,204	4,856,276
Accounts receivable	864,341	1,140,494
Prepaid expenses	148,477	123,584
Inventory of general stores and small tools	138,176	120,831
Work-in-progress	33,224	—
	6,113,422	6,241,185
Capital Assets (Note 4)	16,836,368	19,970,838
Special Purpose Funds (Note 3)		
Cash and short-term investments	392,260	373,277
	23,342,050	26,585,300
LIABILITIES, EQUITY AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued liabilities	2,267,772	1,670,750
Deferred income	1,692,232	1,623,120
Due to the Province of Ontario	8,615	1,353,927
Loan Payable [Note 9(b) and (c)]	766,667	166,667
	4,735,286	4,814,464
Long-Term Liabilities		
Loan Payable to Province of Ontario [Note 9(a)]	5,300,000	5,300,000
Loan Payable to Ontario Financing Authority [Note 9(b)]	—	600,000
Loan Payable [Note 9 (c)]	664,036	830,703
	5,964,036	6,730,703
Deferred Capital Contributions (Note 5)	8,566,991	9,652,713
Equity		
Invested in Capital Assets (Note 6)	8,269,377	10,318,125
Deficit	(4,585,900)	(5,303,982)
	3,683,477	5,014,143
Special Purpose Fund		
Fund balance	392,260	373,277
	23,342,050	26,585,300

See accompanying notes to financial statements.

Approved on behalf of the Centre:

N. Lockhart
Trustee

Trustee

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Operations
For the Year Ended March 31, 2001

	2001 $	2000 $
Revenue		
Province of Ontario		
Operating grant	11,154,000	10,813,100
Occupancy grant [Note 11(b)]	3,967,400	3,970,400
Facilities Improvement Grant	837,896	—
Exhibit Grant	125,000	62,500
Y2k Grant	—	2,092,311
Fees		
General Admission	3,049,062	2,879,738
Parking	635,825	563,565
Revenue from Ancillary Operations (Schedule 1)	11,074,748	9,237,657
	30,843,931	29,619,271
Expenses		
General Operations		
Salaries and Benefits	11,441,574	11,866,358
Other Operational Expenses	6,080,998	6,680,205
Research and Development (Note 12)	781,302	—
Occupancy Costs [Note 11(b)]	3,467,259	4,018,416
Expenses from Ancillary Operations (Schedule 1)	8,196,395	6,975,937
	29,967,528	29,540,916
Excess of Revenue over Expenses before amortization	876,403	78,355
Amortization of deferred capital contribution (Note 5)	1,085,722	1,085,722
Amortization Expense	(3,273,808)	(3,415,623)
Net loss for the year	(1,311,683)	(2,251,546)

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Cash Flows
For the Year Ended March 31, 2001

	2001 $	2000 $
Cash Flows from Operating Activities		
Net loss for the year	(1,311,683)	(2,251,546)
Special Purpose Fund net income (loss)	—	(67,043)
Adjustments against net loss not requiring an outlay of cash		
▪ Amortization of capital assets	3,273,808	3,415,623
▪ Amortization of deferred capital contribution	(1,085,722)	(1,085,722)
	876,403	11,312
Net change in non-cash working capital	121,513	(1,250,522)
Net cash generated through (used in) operating activities	997,916	(1,239,210)
Cash Flow from Investing and Financing Activities		
Capital Assets acquisitions	(139,338)	(1,981,957)
Receipt of Capital Contribution	—	943,472
Reduction in long-term debt	(600,000)	—
Repayment of Loans	(166,667)	(166,667)
Net cash used in investing and financing activities	(906,005)	(1,205,152)
Net (decrease) increase in cash and short-term investments, during the year	91,911	(2,444,362)
Cash and short-term investments, beginning of year	5,229,553	7,673,915
Cash and short-term investments, end of year	5,321,464	5,229,553

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Schedule of Revenue and Expenses from Ancillary Operations
For the Year Ended March 31, 2001

SCHEDULE 1

	2001			2000		
	Revenue ($)	Expenses ($)	Net ($)	Revenue ($)	Expenses ($)	Net ($)
School Admissions/Programs	1,220,740	1,303,742	(83,002)	1,203,639	1,148,218	55,421
Camps/Programs	605,537	828,263	(222,726)	446,148	777,310	(331,162)
Facility Rentals	572,223	304,300	267,923	376,646	216,014	160,632
Omnimax	1,754,608	1,911,048	(156,440)	2,090,933	2,085,267	5,666
International Sales and Rentals	3,379,032	2,511,390	867,642	2,108,089	1,543,606	564,483
Sponsorship/Donations	1,645,682	1,005,939	639,743	1,367,731	874,753	492,978
Memberships	645,479	294,656	350,823	543,452	297,542	245,910
Concessions	631,956	703	631,253	611,463	5,186	606,277
Interest	600,508	36,354	564,154	489,556	28,041	461,515
Special Purpose Fund	18,983	—	18,983	—	—	—
TOTALS	11,074,748	8,196,395	2,878,353	9,237,657	6,975,937	2,261,720

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Statement of Changes in Equity
For the Year Ended March 31, 2001

	2001 $			2000 $
	Equity Invested in Capital Assets	Deficit from Operations	Total	Total
Balance, beginning of year	10,318,125	(5,303,982)	5,014,143	7,265,689
Excess of capital assets purchased over grants received	139,338	(139,338)	—	—
Net loss for the year	(2,188,086)	876,403	(1,311,683)	(2,251,546)
Allocation of investment income to Special Purpose Fund	—	(18,983)	(18,983)	—
Balance, end of year	8,269,377	(4,585,900)	3,683,477	5,014,143

See accompanying notes to financial statements.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2001

1. NATURE OF THE BUSINESS

The Centennial Centre of Science and Technology, commonly known as the Ontario Science Centre, was established under *The Centennial Centre of Science and Technology Act.* The Centre's mission is 'To delight, inform and challenge visitors through engaging and thought-provoking experiences in science and technology'. The general operations of the Centre are supported by operating grants from the Province, by admission fees and by other revenues earned through ancillary business operations. Revenues and expenses for ancillary business operations are reported on Schedule 1 of the Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Centre have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventory

Inventory is valued at the lower of cost or replacement cost.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Omnimax Theatre Leasehold Improvements	20 years
Leasehold Improvements	10 years
Exhibits	10 years
Exhibits - Rentals	4 years
Furniture, Fixtures and Equipment	5 years
Computer Equipment	3 years

The land on which the Centre is located is leased from the City of Toronto for $1 per annum on a 99-year lease which commenced July 1, 1965. The Ontario Realty Corporation owns the buildings which house the Centre.

(d) Pledges

Pledges to donate funds are included in income when received.

(e) Revenue Recognition

Revenue on exhibits manufactured for sale is recognized on a percentage of completion basis.

HE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

lotes to Financial Statements
larch 31, 2001

. SPECIAL PURPOSE FUND ADMINISTRATION

The use of certain sources of revenue may be restricted for a specific purpose by external contributors. The Board of Trustees can spend any funds not otherwise restricted by external contributors for any purpose, provided the expenditures promote the objectives of the Centre.

As at March 31, 2001, $67,320 (2000 - $67,320) of the special purpose fund balance was restricted by external contributors for use in supported activities.

. CAPITAL ASSETS

Capital assets consists of the following:

	March 31, 2001			2000
	Cost $	Accumulated Amortization $	Net Book Value $	Net Book Value $
Exhibits	15,593,321	12,969,502	2,623,819	3,884,875
Exhibits – Rentals	1,473,047	460,000	1,013,047	1,298,047
Omnimax Theatre Leasehold Improvements	14,559,900	3,639,975	10,919,925	11,647,920
Leasehold Improvements	4,505,851	2,567,579	1,938,272	2,388,858
Furniture, Fixtures and Equipment	972,038	813,831	158,207	264,268
Computer Equipment	2,183,728	2,000,630	183,098	486,870
	39,287,885	22,451,517	16,836,368	19,970,838

. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of donations and government grants received and used to acquire capital assets but not yet recognized as revenue. Revenue will be recognized over the same period as the expected life of the capital assets to which they relate, in order to properly match revenues with costs. The changes in the deferred contributions balance are as follows:

	2001 $	2000 $
Balance, beginning of year	9,652,713	9,794,963
Donations received and deferred during the year	—	943,472
Amortization of deferred capital contributions	(1,085,722)	(1,085,722)
Balance, end of year	8,566,991	9,652,713

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2001

6. EQUITY INVESTED IN CAPITAL ASSETS

Equity invested in capital assets represents the following:

	2001 $	2000 $
Capital assets, net	16,836,368	19,970,838
Less amount financed by deferred capital contributions	(8,566,991)	(9,652,713)
	8,269,377	10,318,125

7. PROPERTY MAINTENANCE AND REPAIRS

Certain maintenance and repair expenses of the Centre are absorbed by the Province of Ontario and are not included in the Statement of Operations.

8. PENSION PLAN

The Centre provides pension benefits for substantially all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multi-employer plans established by the Province of Ontario.

The Centre's contributions related to the pension plans for the year were $682,362 (2000 – $719,448). These contributions have been included in salaries and employee benefits in the Statement of Operations.

In addition, the cost of post-retirement non-pension benefits were paid by MBS and are not included in the statement of operations and retained earnings.

9. LOANS PAYABLE

(a) Loan from Province of Ontario

The Province made an interest-free repayable loan of $5,300,000 to the Centre to construct the Omnimax Theatre. The Centre shall repay this loan by annual payments commencing in 1999/2000 in amounts equal to 50% of the average annual profits received by the Centre from the Omnimax Theatre during the previous two fiscal years, if any. Such annual payments shall continue until the principal of the loan is repaid.

(b) Loan from the Ontario Financing Authority

The Ontario Financing Authority (OFA) agreed to lend the Centre an amount not to exceed $3,007,000, at interest calculated based on the OFA prevailing 90-day lending rate. The Centre is to repay the amount outstanding together with accrued interest by March 31, 2002.

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2001

9. LOANS PAYABLE (CONTINUED)

(c) Food Service Agreement

The Centre has entered into a 10-year agreement with a food services company to provide food services until May 31, 2006. The company contributed approximately $1.5 million to the Centre for the construction of new restaurants and other food service related facilities, as stipulated under the terms of the agreement.

Under the terms of the agreement, the annual net profit from the food and beverage operations managed by the company are to be shared between the company and the Centre in accordance with a formula in the agreement. The agreement specifies certain fixed payments to the company as follows: (1) an annual management fee, starting at $130,000 in 1996/97, reduced by $10,000 for each of the following nine years; and (2) a refund of the $1.5 million contribution without interest in nine equal installments, which started in 1997/98.

10. PLEDGES

The Centre began a capital campaign in 1995/96 to raise funds for the construction of the Omnimax Theatre project. Funds from written pledge commitments to be received over the next year is $294,710.

11. COMMITMENTS AND CONTINGENCIES

(a) Imax Dome Projection System Maintenance Agreement

The Centre has a ten-year agreement expiring in December 2006, with an automatic renewal for one further 10-year term, for leasing and servicing of an Imax Dome Projection System. The agreement commits the Centre to: (1) monthly rental payments to be calculated in accordance with a formula based on admission revenue; and (2) an annual maintenance fee of $66,000 (adjusted to reflect changes in the Consumer Price Index for Toronto).

(b) Occupancy Cost

Starting April 1, 1998, the Ontario Realty Corporation started to charge the Centre an accommodation fee for occupying its facilities. The accommodation charge is provided for in a five-year agreement, which ends March 31, 2003, and is to cover rent, taxes, maintenance and certain operating costs. The Centre receives a Ministry grant each year to fund this expenditure.

Minimum payments for the next two years are as follows:

	$
2001/02	3,959,128
2002/03	3,959,128
	7,918,256

THE CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Notes to Financial Statements
March 31, 2001

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11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Occupancy Cost (Continued)

The Centre also has a five-year lease agreement with the City of Toronto for the Centre's Parking Lot. The minimum lease payments for the remaining two years of the lease are as follows:

	$
2001/02	40,000
2002/03	40,000
	80,000

12. RESEARCH AND DEVELOPMENT FOR MAJOR CAPITAL PROJECT

In the Provincial Budget of May 2000, the province announced that the Ontario Science Centre would receive $15.0 million as a grant from the Superbild Fund, contingent on the Centre receiving matching funding from the private sector. The Centre is in negotiation with the province on an agreement to begin drawing grant funds. In the 2000/01 fiscal year, the Centre had expended $781,302 on research and development costs towards a major capital project. These costs have been expensed in the current year.

13. COMPARATIVE FIGURES

The March 31, 2000 comparative figures have been reclassified where necessary to conform to the current year's presentation.

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity Market Operator are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Independent Electricity Market Operator are described in the Summary of Significant Accounting Policies contained in Note 3 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to January 26, 2001.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by PricewaterhouseCoopers LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY MARKET OPERATOR

On behalf of management,

Dave Goulding

Dave Goulding
President & Chief Executive Officer

Douglas Thomas

Douglas J. Thomas
Chief Financial Officer

Toronto, Canada
January 26, 2001

Auditors' Report

To the Board of Directors of the Independent Electricity Market Operator ("IMO")

We have audited the statement of financial position of the IMO as at December 31, 2000 and the statements of operations and accumulated surplus (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the IMO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IMO as at December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
January 26, 2001

Statement of Operations and Accumulated Surplus (Deficit)

(in thousands of Canadian dollars)	For the Year Ended December 31, 2000	For the Nine Months Ended December 31, 1999
	$	**$**
REVENUES (Note 3(b))		
System fees	93,355	56,910
Ancillary services, rural rate assistance and remote subsidies	246,204	181,243
TOTAL REVENUES	**339,559**	**238,153**
EXPENSES		
Cost of ancillary services, rural rate assistance and remote subsidies	246,204	181,243
Labour	30,079	22,374
Transition costs	18,987	7,689
Telecommunications	8,336	6,839
Other costs	12,625	9,499
Amortization	8,446	8,246
TOTAL EXPENSES	**324,677**	**235,890**
Net income before interest	**14,882**	**2,263**
Interest income	1,450	685
Interest expense	(6,168)	(4,556)
NET INCOME (LOSS) FOR THE PERIOD	**10,164**	**(1,608)**
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF PERIOD	(1,608)	-
ACCUMULATED SURPLUS (DEFICIT) - END OF PERIOD	**8,556**	**(1,608)**

See accompanying notes to Financial Statements.

Statement of Financial Position

(in thousands of Canadian dollars)	As at December 31, 2000	As at December 31, 1999
	$	**$**
ASSETS		
Current Assets		
Cash & cash equivalents	105,622	20,992
Temporary investments	-	34,172
Amount due under Revenue Allocation Agreement	28,827	26,919
Prepaid expenses & receivables	5,093	2,111
	139,542	**84,194**
Capital Assets *(Note 4)*		
Capital assets in service	58,554	65,423
Construction-in-Progress	168,337	71,011
	226,891	**136,434**
Other Assets		
Prepaid operating expenses	2,100	3,222
Prepaid pension expense *(Note 7)*	21,323	15,778
	23,423	**19,000**
TOTAL ASSETS	**389,856**	**239,628**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities *(Note 5)*	47,821	59,566
Accrued interest	2,812	2,149
	50,633	61,715
Long Term Debt *(Note 6)*	311,534	161,534
Accrual for Employee Future Benefits Other than Pensions *(Note 7)*	19,133	17,987
TOTAL LIABILITIES	**381,300**	**241,236**
ACCUMULATED SURPLUS (DEFICIT	**8,556**	**(1,608)**
TOTAL LIABILITIES & ACCUMULATED SURPLUS (DEFICIT)	**389,856**	**239,628**

See accompanying notes to Financial Statements.

On behalf of the Board:

James C. Baillie

Barry E. Chuddy

Statement of Cash Flows

(in thousands of Canadian dollars)	For the Year Ended December 31, 2000 $	For the Nine Months Ended December 31, 1999 $
OPERATING ACTIVITIES		
Net income (loss) for period	10,164	(1,608)
Adjustments for non-cash items:		
Amortization	8,446	8,246
(Increase) decrease in prepaid pension expense	(5,545)	1,013
Increase in accrual for employee future benefits other than pensions	1,146	1,136
	14,211	8,787
Changes in non-cash balances related to operations:		
Increase in current liabilities	1,773	8,546
Increase in prepaid expenses	(1,860)	(4,987)
Increase in amounts due under Revenue Allocation Agreement	(1,524)	(597)
	(1,611)	2,962
Cash Provided from Operations	**12,600**	**11,749**
INVESTING ACTIVITIES		
Net sale (purchase) of temporary investments	34,172	(34,172)
Cost of Construction-in-Progress	(111,409)	(45,185)
Net purchase of capital assets in service	(733)	(2,671)
Cash Used in Investing	**(77,970)**	**(82,028)**
FINANCING ACTIVITIES		
Issue of long-term debt	150,000	83,334
Cash Provided from Financing	**150,000**	**83,334**
NET CHANGE IN CASH & CASH EQUIVALENTS	84,630	13,055
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	20,992	7,937
CASH & CASH EQUIVALENTS - END OF PERIOD	**105,622**	**20,992**

See accompanying notes to Financial Statements.

Supplementary Information: *(in thousands of Canadian dollars)*		
Interest Paid	**13,831**	**4,545**

Notes to Financial Statements

1. Restructuring of the Ontario Electricity Industry

The North American electrical utility industry has undertaken initiatives to move away from traditional monopolies towards competitive models that are more conducive to customer choice. On October 30, 1998 the Government of Ontario enacted the Energy Competition Act, 1998 to restructure the business carried on by Ontario Hydro and introduce competition.

Prior to the restructuring, Ontario Hydro was a vertically integrated, rate-regulated electricity utility. On April 1, 1999, Ontario Hydro was restructured into a number of successor entities, as follows:

- Ontario Power Generation Inc. (OPG), a generation company;
- Ontario Hydro Services Company Inc., subsequently renamed Hydro One (HO1), a rate regulated transmission and distribution business, which operates certain energy services businesses in an unregulated business environment;
- Independent Electricity Market Operator (IMO), a non-profit organization which is the independent system co-ordinator;
- Electrical Safety Authority (ESA), a non-profit organization, which carries out electrical inspections previously conducted by Ontario Hydro; and
- Ontario Electricity Financial Corporation (OEFC), the continuing Ontario Hydro entity which has the objectives of managing debt, administering assets, liabilities, rights and obligations not transferred to a successor entity, and acting as administrator of the OEFC Pension Plan until arrangements are completed to transfer assets and liabilities to the new pension plans of the successor entities.

2. Commencement of Operations

Independent Electricity Market Operator was created by statute effective on April 1, 1999 pursuant to Part II of the *Electricity Act, 1998*. As set out in the *Electricity Act*, the IMO operates pursuant to a license granted by the Ontario Energy Board. The IMO received from Ontario Hydro certain assets and liabilities, principally those related to the former Central Market Operations business unit of Ontario Hydro. Net assets acquired from Ontario Hydro were $78.2 million, which were financed by the issuance of debt.

The IMO is a not-for-profit, non-taxable corporation without share capital whose objects are set out in Part II, sub-section 5(1) of the Electricity Act as follows;

- to exercise and perform the powers and duties assigned to the IMO under the *Electricity Act, 1998*, the market rules and license;
- to enter into agreements with transmitters giving the IMO the authority to direct the operations of their transmission systems;
- to direct the operations and maintain the reliability of the IMO-controlled grid to promote the purposes of the *Electricity Act, 1998*;
- to establish and operate the IMO-administered markets to promote the purposes of the *Electricity Act, 1998*;
- to collect and provide to the public information relating to the current and future electricity needs of Ontario and the capacity of the integrated power system to meet those needs;
- to participate in the development by any standards authority of standards and criteria relating to the reliability of the transmission systems;
- to work with the responsible authorities outside Ontario to co-ordinate the IMO's activities with their activities.

As specified in the *Electricity Act*, any surplus generated shall be used by the IMO for the purposes of carrying out its objects. The IMO expects to recover any deficits in future system fees, subject to approval by the Ontario Energy Board.

The IMO's target is that the systems, processes and other requirements of the IMO-administered markets will be ready for market operations in the fall of 2001. There remains uncertainty as to the timing of the opening of the market, largely due to factors beyond the control of the IMO. Delays in market opening could impact the ability of the IMO to recover the costs of market development through the levy of system fees. The IMO would need to pursue various financing alternatives should there be an unanticipated delay in market opening.

3. Summary of Significant Accounting Policies

a) Basis of Financial Statement Preparation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The results of operations and cash flows for fiscal 1999 presented in these financial statements reflect the opening balances transferred from Ontario Hydro on April 1, 1999 for assets and liabilities on an historic cost basis and subsequent business for the nine month period ended December 31, 1999. Results of operations and cash flows for fiscal 2000 reflect business for the twelve month period ended December 31, 2000.

b) Revenue Recognition

In accordance with a draft agreement ("Transitional Revenue Allocation Agreement") between the IMO and the other successor entities of Ontario Hydro, the IMO receives system fees and ancillary service fees.

The Transitional Revenue Allocation Agreement, which will cover the transition period from April 1, 1999, to market opening, has not been executed. Accordingly, revenues reported in these financial statements, substantially all of which have been received in cash, are based on agreements that have not been executed and therefore could be subject to change. The IMO is not aware of any circumstances that suggest changes will be made to its revenue allocation.

c) Transition Costs and Construction-in-Progress

The IMO plays a key role in conjunction with future market participants and other stakeholders in the development of the wholesale competitive electricity market in Ontario. As part of this role, the IMO is charged with developing and implementing the systems, including hardware and software, processes and procedures required to operate the competitive marketplace. The development of these systems, processes and procedures is a multi-year effort.

Costs relating to this initiative are either capitalized, based on the expected future benefit after the opening of the market, or charged to current operations. Costs that have been capitalized are included within Construction-in-Progress, while costs charged to current operations are included as transition costs. Capitalized costs generally relate to the costs of physical facilities, hardware and software required for the operation of the market and include costs paid to vendors, internal and external labour, consultants, an applicable share of overhead, and an allocation of interest related to funds borrowed to finance the project. Transition costs, which are charged to current operations generally relate to the design of market rules, market and internal processes and procedures, and training and include costs for internal and external labour, consultants, and an applicable share of overhead.

d) Capital Assets

Capital assets as at April 1, 1999 were recorded at the net book value amounts transferred from Ontario Hydro. Subsequent additions are capitalized at cost, which comprises materials, labour, engineering costs, overheads, and interest applicable to capital construction activities.

e) Amortization

The capital cost of capital assets in service is amortized principally on a straight-line basis over their estimated service lives.

The estimated average service lives in years, from the date the assets were transferred from Ontario Hydro or subsequently acquired, are:

Class	**Estimated Average Service Life**
Administration Buildings	36
Data Acquisition and Computer Systems[1]	4
Computers and Furniture	5

Gains and losses on sales of capital assets and losses on premature retirements are charged to operations as adjustments to amortization expense. Removal costs are charged to amortization expense as incurred.

The estimated service lives of capital assets and the significant assumptions underlying the estimates of capital asset removal costs are subject to periodic review. The impacts of changes in the estimated lives of capital assets are amortized on a prospective basis. The most recent review was completed in fiscal 2000.

f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, term deposits and other short term investments with original maturity dates of less than 90 days.

g) Temporary Investments

Short-term money market investments with original maturities of 90 days or longer are classified as temporary investments and valued at amortized cost. Premiums and discounts are amortized to income using the constant yield method over the period to maturity.

h) Pension and Other Post-Employment Benefits

The IMO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers' compensation benefits.

The IMO accrues obligations under pension and other post-employment benefit ("OPEB") plans and the related costs, net of plan assets. Pension fund assets are valued using current market values. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimates using a measurement date of September 30.

Pension and OPEB expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions, and experience gains or losses, which are amortized on a straight line basis over the expected average remaining service life of the employees covered by the plan. Pension and OPEB expenses are recorded during the year in which employees render services.

i) Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for financial instruments, comprising current assets, current liabilities and long-term debt, approximate to their fair values.

j) Foreign Exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated in Canadian dollars at the rate prevailing at that date. Exchange gains and losses arising on settlement of foreign exchange transactions are reported in the statement of operations at the date at which the transactions are settled.

k) Use of Estimates

The preparation of the financial instruments in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates.

[1] *The Data Acquisition and Computer Systems (DACS) was previously forecast to be taken out of service by the end of 2001. However, based on the extension in market opening, and the associated impact on the replacement of other assets, DACS is now forecast to be taken out of service by the end of 2002. This has been reflected in the service life utilized in 2000 and resulted in a reduction of amortization expense of $2,393,000 in the year.*

4. Capital Assets

Capital assets in service consist primarily of the System Control Centre administration building, data acquisition and computer systems (DACS), computers and furniture.

		As at December 31, 2000		*As at December 31, 1999*
(in thousands of Canadian dollars)	BOOK VALUE	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Capital Assets in Service	$	$	$	$
Administration buildings	48,505	4,043	44,462	46,646
Data Acquisition and Computer Systems	19,764	10,252	9,512	14,299
Computers and furniture	6,975	2,395	4,580	4,478
	75,244	16,690	58,554	65,423
Construction-in-Progress	168,337	-	168,337	71,011
	243,581	**16,690**	**226, 891**	**136,434**

Interest capitalized to Construction-in-Progress during 2000 was $6,148,510 (1999 - $723,337).

5. Accounts Payable & Accrued Liabilities

(in thousands of Canadian dollars)	*As at December 31, 2000*	*As at December 31, 1999*
	$	$
Relating to Revenue Allocation Agreement	20,517	20,133
Relating to capital assets in service	844	-
Relating to Construction-in-Progress	11,710	25,793
Relating to operations	14,750	13,640
	47,821	**59,566**

6. Long-term Debt

(in thousands of Canadian dollars)	*As at December 31, 2000*	*As at December 31, 1999*
	$	$
Notes Payable To		
Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
the Province of Ontario	233,334	83,334
	311,534	**161,534**

Note Payable to OEFC

The long-term note payable to Ontario Electricity Finance Corporation (OEFC) is unsecured, bears interest at 7.9% per annum and is repayable in full on May 1, 2009. Interest accrues daily and is payable in arrears, in equal semi-annual payments on May 1 and November 1 of each year.

Notes Payable to the Province of Ontario

The Province of Ontario has agreed to provide unsecured financing to the IMO to a maximum of $275 million, of which $233 million has been drawn. The remaining portion will be drawn on April 5, 2001. The weighted-average interest rate on the balance drawn to date is 5.79%. The full loan balance will bear a weighted interest rate of 6.24% after May 1, 2001. The loan is repayable on November 3, 2003.

The loan agreement provides for an extension of the repayment date if on or before October 27, 2003, the IMO is unable to obtain a credit rating, or has obtained a credit rating below a specific level, to the earlier of March 31, 2005 or six months after which a credit rating is either received or revised to the specified level. The loan will bear interest during the period of extension equal to the floating Bankers Acceptance rate plus 50 basis points.

Credit Facilities

IMO has a revolving credit facility agreement with a Canadian chartered bank, for which approximately $158,000 was drawn at December 31, 2000 and has been included in cash and cash equivalents in the statement of financial position. The agreement provides for the bank to make available to the IMO a committed extendible 364-day revolving credit facility of $20 million for general working purposes. The credit agreement is unsecured. Advances under this facility are available in Canadian dollars by way of prime rate loans or relevant Bankers Acceptances rates. Unused portions of this credit facility are subject to a commitment fee of 5 basis points per annum. Upon acceptance of each Bankers' Acceptance of the IMO by the bank, the IMO shall pay a Stamping Fee of 15 basis points per annum to the Bank.

Additionally, the IMO has an agreement with the bank under which the bank will make available to the IMO a committed, unsecured 364-day revolving credit facility in an amount up to $100 million. This facility will mainly be used to fund shortfalls in amounts owed to the IMO by Market Participants for payment to other Market Participants prior to their recovery under the provisions of the market rules.

IMO also has a revolving credit facility agreement with another Canadian chartered bank. This agreement provides for the bank to make available to the IMO a committed extendible 364-day revolving facility of $20 million for general working purposes. The credit agreement is unsecured. Advances under this facility are available in Canadian dollars by way of prime rate loans, Bankers' Acceptances, and also by way of letters of credit, the latter being subject to a limit of $2 million. Unused portions of this credit facility are subject to a standby fee of 8.5 basis points. This agreement expires on March 31, 2001, at which time it will not be renewed.

7. Benefit Plans

The IMO provides pension and other employee future benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

Pension Plans

From April 1, 1999 to December 31, 1999, the IMO participated in the OEFC Pension Plan, a contributory defined benefit, registered pension plan formerly known as the Pension and Insurance Fund of Ontario Hydro. As part of the restructuring of the electricity industry in Ontario, the assets, liabilities and a share of the OEFC Pension Plan's surplus was notionally allocated to each of the successor entities of Ontario Hydro on April 1, 1999.

The Independent Electricity Market Operator Pension Plan (Plan) commenced on December 31, 1999 and assumed the IMO's share of the pension liabilities of the OEFC Pension Plan on January 1, 2000. The Plan is expected to receive assets from the OEFC Pension Plan in 2001.

In addition to the funded, registered, pension plan, the IMO provides certain non-registered defined benefit pensions through an unfunded, non-registered plan.

Other Employee Future Benefits

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

Summary of Accrued Benefit Obligations and Plan Assets

	2000 Pension Benefits	1999 Pension Benefits	2000 Other Benefits	1999 Other Benefits
	$	$	$	$
Accrued benefit obligation	173,209	164,688	24,580	14,645
Fair value of plan assets	249,295	228,025	-	-
Funded status	76,086	63,337	(24,580)	(14,645)
Prepaid (accrued) benefit cost recognized in the statement of financial position	21,323	15,778	(19,858)	(18,475)

Summary of Principal Assumptions Used to Calculate Benefit Costs and Obligations

	2000 Pension Benefits	1999 Pension Benefits	2000 Other Benefits	1999 Other Benefits
Discount rate	7.0% - 7.45%	7.25%	7.0% - 7.45%	7.0% - 7.50%
Expected return on plan assets	7.25%	7.25%	-	-
Rate of compensation increase	3.5%	3.5%	3.5%	3.5%
Rate of benefit increases	2.5%	2.5%	-	-
Expected average remaining service life of employees	12 years	10.75 years	12 years	10.75 years

Hospital and drug costs are assumed to increase by 8.0% in 2001 and reduce to 5.0% after 3 years. Other medical and dental costs are assumed to increase by 5.0% per annum.

Summary of Benefit Costs and Plan Contributions

(in thousands of Canadian dollars)	2000 Pension Benefits (12 months)	1999 Pension Benefits (9 months)	2000 Other Benefits (12 months)	1999 Other Benefits (9 months)
	$	$	$	$
Benefit cost (income)	(5,545)	1,013	2,084	1,417
Employer contributions	2	-	669	-
Plan participant's contributions	813	-	-	-
Benefits paid	4,848	4,500	576	2,186

8. Segmented Information

IMO consists of a single business engaged in the operation of the bulk electricity system in Ontario.

9. Commitments

Operating Commitments

The obligations of the IMO with respect to non-cancellable operating leases over the next five years is as follows:

(in thousands of Canadian dollars)

2001	2002	2003	2004	2005
$	$	$	$	$
1,768	1,308	717	586	249

Capital Commitments

As at December 31, 2000, the IMO had non-cancellable capital commitments of $18,955,000.

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

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Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Legal Aid Ontario is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances of the reliability of financial information and that the assets were safeguarded.

The Board ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee of the Board. The Board meets monthly to oversee the financial activities of LAO. On an annual basis, the Board reviews the financial statements and the external auditors' report thereon, and recommend them to the Ministry of the Attorney General.

The financial statements have be been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Angela Longo

Angela Longo
President & CEO

Michelle A. Séguin
Vice President,
Corporate Services

August 9, 2001

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Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the balance sheet of Legal Aid Ontario as at March 31, 2001 and the statements of operations and accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of Legal Aid Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 15, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

Legal Aid Ontario
(A Corporation Without Share Capital)
Balance Sheet

March 31	2001	2000
	(000's)	
Assets		
Current		
Cash and cash equivalents (Note 2)	$ -	$ 72,814
Accounts receivable (less allowance for doubtful accounts)	12,889	13,883
Prepaid expenses	621	31
Short term investments (Note 3)	1,506	-
	15,016	86,728
Contingency reserve fund (Note 6)	31,889	24,938
Long term investments (Note 3)	63,735	-
Capital assets (Note 4)	9,825	7,427
	$ 120,465	$ 119,093
Liabilities and Equity		
Current		
Bank indebtedness (Note 2)	$ 2,109	$ -
Accounts payable and accrued liabilities (Note 5)	50,512	52,864
	52,621	52,864
Equity		
Accumulated surplus (Note 1(c))	35,955	41,291
Contingency reserve (Note 6)	31,889	24,938
	67,844	66,229
	$ 120,465	$ 119,093

On behalf of the Board:

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
(A Corporation Without Share Capital)
Statement of Operations and Accumulated Surplus

For the year ended March 31	2001	2000
	(000's)	
Revenue		
Province of Ontario (Note 1)	$ 201,626	$ 230,992
The Law Foundation of Ontario	30,964	21,496
Client contributions	8,399	9,428
Judgements, costs and settlements	1,392	1,379
Miscellaneous income	7,163	5,244
	249,544	268,539
Expenses		
Core Business		
Certificate Program (Note 1)		
Criminal	71,223	62,214
Family	35,471	34,151
Immigration and refugee	12,159	10,083
Other civil	4,380	4,995
Settlement conferences	169	227
	123,402	111,670
Area office services	20,290	18,010
	143,692	129,680
Duty Counsel Program		
Duty counsel fees and disbursements	18,941	16,069
Clinic Program		
Clinic law services (Note 7)	45,269	41,510
Alternative Programs		
Nishnawbe-Aski allocation	1,405	1,280
OFIFC funding	-	76
Family law / pilot projects	2,646	2,219
Refugee law office	698	688
Salaried duty counsel	3,320	2,700
Student legal aid societies	2,646	2,540
	10,715	9,503

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
(A Corporation Without Share Capital)
Statement of Operations and Accumulated Surplus
(Continued)

For the year ended March 31	**2001**	2000
	(000's)	
Expenses		
Service Provider Support		
Research facility	$ **2,296**	$ 1,955
Administrative		
Provincial office	**23,880**	19,936
Business re-engineering and other projects	**2,921**	-
Other	**215**	1,899
	27,016	21,835
	247,929	220,552
Excess of revenue over expenses for the year	**1,615**	47,987
Accumulated surplus, beginning of year (Note 1(c))	**41,291**	-
Transferred to contingency reserve (Note 6)	**(6,951)**	(6,696)
Accumulated surplus, end of year	$ **35,955**	$ 41,291

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
(A Corporation Without Share Capital)
Statement of Cash Flows

For the year ended March 31	2001	2000
	(000's)	
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	$ 1,615	$ 47,987
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Amortization	5,925	4,888
Gain on sale of investments	(437)	-
Loss on sale of capital assets	67	146
Changes in non-cash working capital balances		
Accounts receivable	994	6,386
Prepaid expenses	(590)	15
Accounts payable and accrued liabilities	(2,352)	(20,640)
Accrued interest on long term investments	(1,361)	-
	3,861	38,782
Investing activities		
Proceeds on sale of capital assets	-	23
Purchase of capital assets	(8,390)	(5,687)
Purchase of investments	(143,781)	-
Redemption of investments	48,449	-
	(103,722)	(5,664)
Net increase (decrease) in cash and cash equivalents (bank indebtedness) during the year	(99,861)	33,118
Cash and cash equivalents, beginning of year	97,752	64,634
Cash and cash equivalents (bank indebtedness), end of year (Note 2)	$ (2,109)	$ 97,752
Represented by		
Cash equivalents	$ 1,970	$ 77,081
Bank indebtedness	(4,079)	(4,267)
	(2,109)	72,814
Contingency reserve fund	-	24,938
	$ (2,109)	$ 97,752

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
(A Corporation Without Share Capital)
Summary of Significant Accounting Policies

March 31, 2001

Nature of Operations

On December 18, 1998, the Ontario Legislative Assembly enacted the Legal Aid Services Act, 1998 whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999.

The Legal Aid Services Act, 1998 establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

On April 1, 1999, the Corporation assumed responsibility for all the assets and liabilities of the Ontario Legal Aid Plan, administered by the Law Society of Upper Canada.

The net assets transferred from the Ontario Legal Aid Plan were as follows:

		(000's)
Cash	$	64,634
Other current assets		20,315
Capital assets		6,797
Total assets		91,746
Total accounts payable and accrued liabilities		(73,504)
Net assets transferred	$	18,242

Legal Aid Ontario
(A Corporation Without Share Capital)
Summary of Significant Accounting Policies

March 31, 2001

Basis of Accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

Revenue is recorded on the basis of amounts contributed to the Corporation for the respective fiscal year ended March 31.

Expense Recognition

Expenses are recognized on an accrual basis. Legal accounts include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed but not yet billed.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the asset as follows:

Furniture and office equipment - 5 years
Computer hardware and software - 3 years
Custom-designed software - 5 years
Leasehold improvements - over the term of lease

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, indebtedness and balances with banks plus highly liquid investments with original maturities of three months or less.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

Investments

Short term investments are stated at the lower of cost and market value. Long term investments are stated at cost and are written down when there is other than a temporary decline in value.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2001

1. Funding by the Province of Ontario

Section 71 of the Legal Aid Services Act, 1998 requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The Memorandum of Understanding was signed on December 22, 2000 and is effective until April 1, 2004.

(a) Funding in respect of the year was allocated as follows:

	2001	2000
	(000's)	
Certificates (issued by the Corporation to solicitors that authorize legal services to be provided)	$ 130,161	$ 166,847
Administration	26,949	28,544
Independent Community Clinics	44,000	35,085
Family Violence	516	516
	$ 201,626	$ 230,992

(b) Included in the revenue from the Province of Ontario for the year ended March 31, 2001 is an amount of $30.5 million (2000 - $36.2 million). This represents an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law and the Young Offenders Act through a cost-sharing arrangement.

(c) Subsection 66(3) of the Legal Aid Services Act, 1998 allows the Corporation to allocate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

In the fiscal year ended March 31, 2000, the Corporation experienced a $41.291 million surplus. In June 2000, as part of the presentation of the draft budget for the 2001-2002 fiscal year and financial estimates for 2002-2003 and 2003-2004 fiscal years, the Corporation notified the Ministry of the Attorney General of its accumulated surplus and proposed to use the surplus to fund the modernization of the Corporation's information technology systems and the development of innovative and cost effective services. The Province is supportive of these initiatives and the Cabinet approved the use of the $41.291 million surplus as required to implement these initiatives. The entire surplus will be available to the Corporation when it requires the funds.

The Corporation expects to utilize the surplus over four years as follows:

	(000's)
2001	$14,925
2002	11,166
2003	9,200
2004	6,000
	$41,291

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2001

1. Funding by the Province of Ontario (continued)

As a result, the Cabinet approved that the Corporation retain $14.925 million for 2000/2001. Of the $14.925 million approved to be retained for the current year, the Corporation spent $11.003 million, a $3.922 million under expenditure.

The Province committed to transfer payments to the Corporation of $227.992 million. On the "Statement of Operations and Accumulated Surplus," the revenue from the Province of Ontario is shown as $201.626 million. The difference of $26.366 million relates to the retention of the remainder of the $41.291 million accumulated surplus of the Corporation as at March 31, 2000.

For the year ending March 31, 2001, the Corporation has retained all of its accumulated surplus of $35.955 million.

2. Cash and Cash Equivalents (Bank Indebtedness)

	2001	2000
	(000's)	
Cash and cash equivalents	$ 1,970	$ 77,081
Bank indebtedness	(4,079)	(4,267)
	(2,109)	$ 72,814

The Corporation holds treasury certificates of $0.73 million as at March 31, 2001, which will mature in fiscal 2002 and bear interest between 4.75% and 4.93% per annum. Effective December 1, 2000, the Corporation engaged the services of an investment firm to manage its investment portfolio. As a result, the treasury certificates, term deposits, and bankers acceptances held at March 31, 2000 were transferred into short term and long term investments (see Note 3). The investment firm actively manages the portfolio. Therefore, these investments will probably not be held to maturity but may be traded based on the Corporation's cash requirements.

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2001

3. Long Term Investments

Investments consist of the following:

(000's)

	2001		2000	
	Cost	**Market**	Cost	Market
Canada bonds Interest rates from 5.0% to 6.0%, maturing from June 2002 to June 2009	$ 35,947	$ 36,401	$ -	$ -
Provincial bonds Interest rates from 4.875% to 9.75%, maturing from April 2002 to June 2005	41,197	41,654	-	-
Corporate bonds Interest rates from 5.4% to 7.1%, maturing from January 2002 to September 2004	16,711	16,893	-	-
Mortgage backed security Interest rate 5.0%, maturing February 2003	1,914	1,913	-	-
Accrued bond interest	1,361	1,361	-	-
	97,130	98,222	-	-
Less: Contingency reserve (Note 6)	(31,889)	(32,248)	-	-
	$ 65,241	$ 65,974	$ -	$ -
Represented by				
Short term investments	$ 1,506	$ 1,517	$ -	$ -
Long term investments	63,735	64,457	-	-
	$ 65,241	$ 65,974	$ -	$ -

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998. The investments held by the Corporation as at March 31, 2001 are in compliance with the statutory requirements. The Corporation earned investment income of $6.951 million in 2001 (2000 - $6.696 million).

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2001

4. Capital Assets

(000's)

	2001		2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 1,815	$ 981	$ 2,056	$ 600
Computer hardware and software	14,284	7,067	7,446	3,627
Custom-designed software	817	374	817	186
Leasehold improvements	2,328	997	1,996	475
	$ 19,244	$ 9,419	12,315	4,888
Net book value		$ 9,825		$ 7,427

Included in capital assets is approximately $3,540,000 of computer hardware and software which was not in use as at the year end, therefore, no amortization expense has been taken. Approximately $2,398,000 of the assets not in use represent capital assets acquired on behalf of the community clinics which will be provided to the clinics as part of their funding requirement in fiscal 2002.

5. Accounts Payable and Accrued Liabilities

(000's)

	2001	2000
Legal accounts - billings received after March 31, 2001	$ 12,854	$ 7,887
- work performed but not yet billed	26,800	40,039
Rent inducements	584	804
Trade and other payables	9,524	3,494
Vacation pay	750	640
	$ 50,512	$ 52,864

At year end, management estimates the liability for work conducted by private solicitors that has not yet been billed by these solicitors to the Corporation to be $26.8 million (2000 - $40.039 million). This estimate uses a methodology that incorporates average costs and time frames for similar cases over a period of 7 years.

Due to the uncertainty involved in the estimation process, there will likely be a difference between the estimated and actual liability. In the opinion of management the actual liability will fall within a range of plus 20% to minus 20% ($21 million to $32 million). Any adjustment of the estimated liability would result in a corresponding increase or decrease in expenses for "core business," the "excess of revenue over expenses for the year" and the "accumulated surplus."

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2001

6. Contingency Reserve

Under the Ontario Regulation 107/99 made under the Legal Aid Services Act, 1998, the Corporation is required to maintain at least a $20 million contingency reserve. Section 6 of the regulation also allows the reserve to be increased by interest earned. The contingency reserve is made up as follows:

	2001	2000
	(000's)	
Balance, beginning of year	$ 24,938	$ -
Net assets transferred to the Corporation April 1, 1999	-	18,242
Transfer to contingency reserve from operations	6,951	6,696
Balance, end of year (Note 3)	$ 31,889	$ 24,938

7. Funding of Independent Community Clinics

The Corporation provides funding to community clinics enabling them to provide legal aid services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital each governed and managed by a board of directors. Community Clinics are independent from, but accountable to the Corporation under Sections 33 to 39 of the Legal Aid Services Act, 1998. Each community clinic is independently audited and are required to provide audited financial statements to the Corporation for the funding period.

The total consists of:

	2001	2000
	(000's)	
Payments to and on behalf of clinics	$ 42,397	$ 38,648
Administrative costs	2,872	2,862
	$ 45,269	$ 41,510

Legal Aid Ontario
(A Corporation Without Share Capital)
Notes to Financial Statements

March 31, 2001

8. Commitments

(a) Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2001 there is an amount of approximately $55 million that could still be incurred on certificates over and above the billings received to date and the Corporation's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The minimum annual commitments under these leases for the next five years are approximately as follows:

	Amount (000's)
2002	$ 6,342
2003	4,650
2004	1,766
2005	1,331
2006	978
	$ 15,067

(c) For the three consecutive fiscal years 2000 to 2002, Subsection 66(5) of the Legal Aid Services Act, 1998 requires the Corporation to allocate to the Independent Community Clinics (see Note 7) an amount not less than $34.9 million annually, the amount allocated to the clinics by the Attorney General in the 1999 fiscal year.

9. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has two components, a defined contribution component and a defined benefit component.

The Corporation makes pension contributions to the defined contribution component of the plan, which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was $906,940.

The defined benefit component of the plan is subject to actuarial valuations at intervals of not more than three years. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary. The most recent actuarial valuation was made upon transfer of the plan as at April 1, 1999. The valuation of the plan at that time indicated an excess actuarial surplus of $564,200, resulting from a pension obligation of $1,231,100 and plan assets of $1,795,300. The Corporation made no pension contribution to this component of the plan in the current year.

10. Comparative Figures

The prior year figures have been reclassified in order to conform with the current year presentation.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

KPMG

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Chartered Accountants
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AUDITORS' REPORT

To the Directors of the Metropolitan Toronto
Convention Centre Corporation

We have audited the balance sheet of Metropolitan Toronto Convention Centre Corporation as at March 31, 2001 and the statements of operations, deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

May 4, 2001

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

March 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash and short-term investments (note 2)	$ 7,053,547	$ 3,087,900
Customer deposits	3,689,686	1,671,529
Accounts receivable	2,388,266	5,282,067
Inventories	494,936	490,849
Prepaid expenses	364,231	334,176
	13,990,666	10,866,521
Other assets	293,738	421,791
Capital assets (note 3)	149,134,308	151,888,855
Employee future benefits (note 6)	164,602	–
	$ 163,583,314	$ 163,177,167
Liabilities and Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,842,278	$ 4,486,081
Deferred revenue	3,689,687	4,099,266
	8,531,965	8,585,347
Temporary expansion financing (note 4)	161,726,943	156,583,833
Employee future benefits (note 6)	–	126,938
Deficiency	(6,675,594)	(2,118,951)
Commitments and contingencies (notes 4, 5 and 7)		
	$ 163,583,314	$ 163,177,167

See accompanying notes to financial statements.

On behalf of the Board:

_____________________ Director

_____________________ Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Revenue	$ 43,160,519	$ 42,805,917
Gross operating profit	$ 23,991,861	$ 23,480,152
Operating expenses	14,206,367	14,296,088
Operating profit before the undernoted	9,785,494	9,184,064
Interest expense	10,188,338	8,790,007
Amortization, net of reallocation to operating expenses for parking garage of $85,368 (2000 - $89,710)	4,616,062	4,559,418
Deficiency of revenue over expenses	$ (5,018,906)	$ (4,165,361)

Statement of Deficiency

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Surplus (deficiency), beginning of year:		
As previously reported	$ (2,118,951)	$ 2,046,410
Adjustment to reflect change in accounting for employee future benefits (note 1(g))	462,263	–
As restated	(1,656,688)	2,046,410
Deficiency of revenue over expenses	(5,018,906)	(4,165,361)
Deficiency, end of year	$ (6,675,594)	$ (2,118,951)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (5,018,906)	$ (4,165,361)
Items not involving cash:		
Amortization	4,701,431	4,649,128
Accrued interest	9,143,110	7,745,007
	8,825,635	8,228,774
Change in non-cash operating working capital:		
Accounts receivable	2,893,801	(2,680,904)
Inventories	(4,087)	(242,900)
Prepaid expenses	(30,055)	75,894
Employee future benefits	170,723	126,938
Accounts payable and accrued liabilities	356,197	568,101
Deferred revenue, net of customer deposits	(2,427,736)	2,107,389
	9,784,478	8,183,292
Financing:		
Repayment of loan payable	–	(484,466)
Repayment of temporary expansion financing	(4,000,000)	(2,500,015)
	(4,000,000)	(2,984,481)
Investments:		
Additions to other assets	–	(37,820)
Additions to capital assets	(1,818,831)	(2,263,303)
	(1,818,831)	(2,301,123)
Increase in cash and short-term investments	3,965,647	2,897,688
Cash and short-term investments, beginning of year	3,087,900	190,212
Cash and short-term investments, end of year	$ 7,053,547	$ 3,087,900

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2001

The Metropolitan Toronto Convention Centre Corporation (the "Corporation") is a government business enterprise of the Ministry of Tourism, Recreation and Culture of the Province of Ontario and incorporated as a corporation without share capital under the Corporations Act by letters patent dated February 4, 1981.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from the use of the Corporation's facilities is recognized when earned.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Other assets:

Deferred development costs, included in other assets, represent expenses, net of pre-operating revenues, earned in the pre-operating period. The amount is being amortized on a straight-line basis over a period of five years.

(d) Capital assets:

Capital assets which are financed by government grants are shown net of applicable grants.

Expenses, net of any income earned, incurred in connection with the expansion of the convention centre have been capitalized and are included in building. The expansion of the building is now complete and the capitalized expenses are being amortized on a straight-line basis over their estimated economic life of 50 years.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2001

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1. **Significant accounting policies (continued):**

All other capital assets are recorded at cost and amortization is charged on a straight-line basis at the following rates:

Furniture, fixtures and equipment	5 - 10 years
Leasehold improvements	5 - 20 years

(e) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(f) Financial instruments:

The Corporation does not use derivative financial instruments. The carrying values of accounts receivable and accounts payable and accrued liabilities approximate fair values due to their short-term nature. The carrying value of temporary expansion financing approximates fair value as the floating interest rates approximate market interest rates.

(g) Employee future benefits:

Effective April 1, 2000, the Corporation retroactively adopted the new CICA accounting standard, Section 3461, "Employee Future Benefits." The new standard changes the accounting for non-pension post-retirement benefits to an accrual basis from the cash accounting basis previously used by most companies, and, with respect to pensions, requires the use of a current settlement discount rate to measure the accrued pension benefit obligation. Prior to adoption of this new standard, pension expense was determined using a long-term discount rate to measure accrued pension benefits.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2001

1. Significant accounting policies (continued):

The cumulative effect of this change in accounting for employee future benefits of $462,263 is reported separately in the statement of deficiency as an adjustment to the opening deficiency for the year ended March 31, 2001.

The financial statements for the year ended March 31, 2000 have not been restated to reflect the provisions of Section 3461.

(h) Income taxes:

The Corporation is a Crown agency incorporated under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1998 and is exempt from income taxes.

(i) Use of estimates:

The preparation of the Corporation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting year. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

2. Cash and short-term investments:

	2001	2000
Cash	$ 4,961,632	$ 3,087,900
Short-term investments	2,091,915	–
	$ 7,053,547	$ 3,087,900

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2001

3. Capital assets:

	Cost	Accumulated amortization	2001 Net book value	2000 Net book value
Building	$ 225,964,034	$ 13,478,503	$ 212,485,531	$ 216,639,764
Furniture, fixtures and equipment	11,917,609	8,770,116	3,147,493	3,138,232
Leasehold improvements	24,976,738	20,624,836	4,351,902	5,610,859
	262,858,381	42,873,455	219,984,926	225,388,855
Less government grants	85,914,604	15,063,986	70,850,618	73,500,000
	$ 176,943,777	$ 27,809,469	$ 149,134,308	$ 151,888,855

4. Temporary expansion financing:

	2001	2000
Ontario Financing Authority	$ 161,726,943	$ 156,583,833

The expansion project is being financed by the Ontario Financing Authority through a series of short-term discount promissory notes. The promissory notes outstanding as at March 31, 2001 have effective annual interest rates between 4.9% and 5.4% and maturity dates between May 3 and June 27. The expansion was completed in June 1997. The Ontario Financing Authority and the Corporation are in the process of reviewing the options of replacing some or all of this temporary financing facility, at which time, principal repayment terms, if any, will be finalized. Prior to the 1999 fiscal year, interest was capitalized to the expansion. Interest will continue to be accrued until repayment terms have been finalized. Repayments totalling $4,000,000 were made during the year.

The Corporation also has an obligation to fulfill certain commitments relating to the expansion project and, accordingly, has an issued letter of credit approximating nil (2000 - $442,000) in support of these obligations.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2001

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5. Commitments:

The Corporation has entered into operating leases of varying terms. Future annual lease payments are as follows:

2002	$ 2,902,276
2003	2,794,515
2004	2,726,357
2005	2,703,593
2006	2,627,536
Thereafter	113,650,629
	$ 127,404,906

6. Employee future benefits:

The Corporation maintains a contributory, defined benefit pension plan. In addition, certain retired employees also receive health benefits paid for by the Corporation. Contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The plan provides pension benefits based on the length of service and final average earnings.

The cost of pension and other future benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the average remaining service lives of the employees.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2001

6. Employee future benefits (continued):

Information about the Corporation's plan is detailed in the table below:

	2001		2000	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Plan assets:				
Market value, beginning of year	$ 6,036,774	$ –	$ 5,180,476	$ –
Acutal return on plan assets	(103,545)	–	715,579	–
Employer contributions	221,314	–	214,501	–
Employee contributions	229,463	–	196,862	–
Benefits paid	(250,274)	–	(270,644)	–
Market value, end of year	$ 6,133,732	$ –	$ 6,036,774	$ –
Plan obligation:				
Accrued benefit obligation, beginning of year	$ 5,147,949	$ 553,500	$ 4,455,534	$ –
Current service cost	652,200	48,800	594,459	–
Interest cost	426,600	45,200	368,600	–
Benefits paid	(250,274)	(500)	(270,644)	–
Actuarial losses (gains)	(273,656)	34,200	–	–
Accrued benefit obligation, end of year	$ 5,702,819	$ 681,200	$ 5,147,949	$ –
Plan surplus (deficit):				
Market value less accrued benefit obligation, end of year	$ 430,913	$ (681,200)	$ 888,825	$ –
Unamortized net actuarial loss (gain)	380,689	34,200	(1,015,763)	–
Accrued benefit asset (liability)	$ 811,602	$ (647,000)	$ (126,938)	$ –
Benefit plan expense:				
Current service cost	$ 652,200	$ 48,800	$ 594,459	$ –
Interest cost	426,600	45,200	368,600	–
Expected return on plan assets	(550,800)	–	(472,575)	–
Net amortization	–	–	11,025	–
Employee contributions	(229,463)	–	(196,862)	–
Net benefit plan expense	$ 298,537	$ 94,000	$ 304,647	$ –
Actuarial assumptions:				
Discount rate	7.25%	7.25%	7.5%	–
Expected long-term rate of return on plan assets	9.0 %	9.0 %	9.0%	–
Rate of compensation increase	4.0 %	4.0 %	4.0%	–
Medical inflation	–	6.0 %	–	–

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2001

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7. Contingencies:

There is one claim in respect of the expansion project which, if successful, could result in the net recovery of a portion of the costs related to the project. The outcome of this lawsuit cannot be determined at this time and no estimate of the net amounts recoverable by the Corporation have been accrued.

8. Statement of cash flows:

Cash paid for interest during the year was $1,045,228 (2000 - $1,045,000). No taxes were paid as the Corporation is exempt from income tax.

9. Comparative figures:

Certain 2000 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2001.

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the balance sheet of the Northern Ontario Heritage Fund Corporation as at March 31, 2001 and the statements of receipts and expenses and net investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 12, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Balance Sheet
As at March 31, 2001

	2001 ($000s)	2000 ($000s)
Assets		
Cash and cash equivalents (Note 3)	212,433	191,896
Accrued interest	5,964	4,627
Loans receivable (Note 4)	28,723	22,150
Receivable from Patten Post Diversification Fund (Note 5)	20	—
	247,140	218,673
Patten Post Diversification Fund (Note 5)	14,964	—
	262,104	218,673
Liabilities		
Provision for guarantee losses	—	550
Patten Post Diversification Fund (Note 5)	14,964	—
Commitments and contingencies (Note 8)		
Investment by the Province of Ontario		
Net investment by the Province of Ontario	247,140	218,123
	262,104	218,673

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Receipts and Expenses and Net Investment by the Province of Ontario
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Receipts		
Province of Ontario grant		
Operating	60,000	30,000
Administration (Note 7)	690	556
Interest income	12,009	11,070
Interest on loans receivable	1,689	1,607
	74,388	43,233
Expenses		
Grants	39,114	42,090
Forgivable loans	4,037	10,583
Credit and investment losses, net of recoveries (Note 6)	1,283	2,347
Administration (Note 7)	937	686
	45,371	55,706
Excess (deficiency) of receipts over expenses	29,017	(12,473)
Net investment by the Province of Ontario, beginning of year	218,123	230,596
Net investment by the Province of Ontario, end of year	247,140	218,123

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Lending, Investing and Financial Assistance Activities		
Loan disbursements	(11,703)	(8,214)
Loan repayments and recoveries	4,928	2,601
Grants and forgivable loans	(43,065)	(50,425)
Loan guarantees honoured	(550)	—
Interest received on loans receivable	582	554
	(49,808)	(55,484)
Financing Activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	60,000	30,000
Administration	690	556
	60,690	30,556
Operating Activities		
Interest income received	10,612	11,719
Administration costs	(937)	(686)
Due from Patten Post Diversification Fund	(20)	—
	9,655	11,033
Increase (decrease) in cash and cash equivalents	20,537	(13,895)
Cash and cash equivalents, beginning of year	191,896	205,791
Cash and cash equivalents, end of year	212,433	191,896

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2001

1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to encourage growth and diversification of the economy of Northern Ontario by providing financial assistance by way of grants, loans or guarantee of loans made by other lenders.

As announced in the *1996 Ontario Budget*, the operations of the Corporation were refocused, commencing in fiscal year 1997, to fund infrastructure improvements and economic development opportunities in Northern Ontario by way of conditional contributions, forgivable performance loans, incentive term loans and loan guarantees.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province

The Province contributes funds to finance the lending and financial assistance activities and reimburses the Corporation for certain administration expenses. The Province's investment is reduced by the net cost of operations.

(c) Loans Receivable

Loans receivable are stated at their estimated net realizable value. Interest-free loans are discounted at the average provincial borrowing rate to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest revenue over the term of the loan.

(d) Provision of Guarantee and Credit Losses

Credit losses arise on loans receivable and guarantees issued to other lenders by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision, and is deducted from loans receivable.

The general provision for the losses on guarantees is included in liabilities. General provisions are established based on part of the historical loss ratios of the Corporation reduced by specific write-offs and write-downs taken.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES

(d) Provision of Guarantee and Credit Losses (Continued)

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions are charged to credit and investment losses in the Statement of Receipts and Expenses and Net Investment by the Province of Ontario.

(e) Revenue Recognition

Interest income is recognized on the accrual basis.

(f) Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses forgivable loans disbursed.

(g) Guarantees

Guarantee losses in the Statement of Receipts and Expenses and Net Investment by the Province of Ontario include provisions and are net of recoveries on guarantees previously honoured.

(h) Use of Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of receipts and expenses during the reporting period. Actual results could differ from those estimated.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and highly liquid investments.

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in guaranteed securities as allowed by the Act.

Cash and cash equivalents consist of:

	2001 ($000s)	2000 ($000s)
Cash (cheques issued in excess of funds on deposit)	3,120	(1,966)
Short-term investments	209,313	193,862
	212,433	191,896

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2001

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Short-term investments consist of treasury bills which yielded 5.47% on average (2000 – 3.9%) and have a market value that approximates carrying value.

4. LOANS RECEIVABLE

The Corporation engages a private sector asset management company to manage some of the Corporation's loans and guarantee portfolios.

Generally, loans bear fixed interest rates ranging from 0% to 12% and are long-term in nature. All loans are fully repayable within 20 years from the date disbursed.

	2001 ($000s)	2000 ($000s)
Current	2,509	4,828
Long-term	37,821	28,690
Provision for credit losses	(8,264)	(6,976)
Loan discount	(3,343)	(4,392)
	28,723	22,150

The changes in the loan discount balances are as follows:

	2001 ($000s)	2000 ($000s)
Balance, beginning of year	4,392	2,984
Add: Amount of loan discount charged to grant expense	118	2,249
Less: Amount amortized to loan interest revenue	(1,167)	(841)
Balance, end of year	3,343	4,392

5. PATTEN POST DIVERSIFICATION FUND

During the year the Corporation became responsible for the administration of a fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2001

5. PATTEN POST DIVERSIFICATION FUND (CONTINUED)

The activity of the Fund was as follows:

	2001 ($000s)	2000 ($000s)
Receipt of trust fund investments	14,593	—
Investment income	391	—
Expense	(20)	—
Net income for the year, representing the Fund balance, end of year	14,964	—
The Fund balance is represented by:		
Treasury bills maturing in 90 days or less	14,801	—
Accrued interest	183	—
Due to the Northern Ontario Heritage Fund Corporation	(20)	—
	14,964	—

6. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Statement of Receipts and Expenses and Net Investment by the Province of Ontario are net of recoveries as follows:

	Loans ($000s)	Guarantees ($000s)	Total ($000s)
Write-downs/guarantees honoured	52	—	52
Less recoveries	(57)	—	(57)
Increase in provision for doubtful loans	1,288	—	1,288
Net expenses – 2001	1,283	—	1,283
Net expenses and recoveries – 2000	1,939	408	2,347

7. ADMINISTRATION

Certain costs of administration such as salaries and benefits of employees, their travel, other standard government supplies and accommodation costs are borne by the Province of Ontario through the Ministry o Northern Development and Mines. All other costs are borne by the Corporation. Details are as follows:

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2001

7. ADMINISTRATION (CONTINUED)

	2001 ($000s)	2000 ($000s)
Salaries and benefits	605	480
Transportation and communications	146	136
Services	177	57
Supplies and equipment	9	13
	937	686
Less: expenses borne by the Province	690	556
Expenses borne by the Corporation	247	130

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension fund which are both mult-employer pension plans established by the Province of Ontario. The Corporation's share of contributions to the funds during the year was $26,775 (2000: $23,329) and is included in salaries and benefits.

8. COMMITMENTS AND CONTINGENCIES

(a) The Corporation guarantees the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. As at March 31, 2001 the Corporation's contingent liability under guarantees was nil (2000 - $550,000). The accounting for guarantee losses is described in Note 2(g).

(b) Funds committed but not disbursed as at March 31, 2001 amounted to:

	2001 ($000s)	2000 ($000s)
Grants	75,116	99,962
Forgivable loans	3,170	10,405
Repayable loans	14,356	22,227
Total commitments	92,642	132,594

9. SUBSEQUENT EVENT

Subsequent to the year end, the Corporation received $2,500,000 from the Ministry of Health and Long-Term Care in trust for reimbursement of operating expenses incurred by a Northern Ontario health management call center.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Management's Responsibility for Financial Statements

The accompanying financial statements have been prepared by management in accordance with generally accepted accounting principles, and in accordance with the accounting policies described in Note 2 to the financial statements. Where estimates or judgements have been required, management has determined such amounts on a reasonable basis in conformity with generally accepted accounting policies.

Management is responsible for all information in the financial statements and has certified that all information connected with the financial statements has been provided to the Provincial Auditor.

To assist management in the discharge of its responsibilities, TVOntario maintains internal controls that are designed to provide reasonable assurance that its assets are safeguarded, to enable only valid and authorized transactions, and to ensure that accurate, timely, and comprehensive financial information is prepared.

TVOntario has an internal audit unit whose functions include reviewing and commenting on internal control.

The TVOntario Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Board has appointed an audit committee from among its own members. The audit committee meets periodically with management, including the director, Internal Audit, and the Provincial Auditor, to discuss audit, internal control, accounting policy, and financial reporting matters. The financial statements were reviewed jointly by the audit and finance committees before approval by the Board of Directors.

The Provincial Auditor conducts an annual audit in accordance with Section II of the Ontario Educational Communications Authority Act. The auditor's report outlines the scope of the auditor's examination and opinion.

Lee L. Robock

Lee L. Robock
General Manager &
Chief Operating Officer
June 1, 2001

Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Training, Colleges and Universities

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2001 as well as the statement of operations and equity, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 1, 2001

Erik Peters, FCA
Provincial Auditor

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Financial Position
as at March 31, 2001

Assets	2001 ($000's)	2000 ($000's)
Current Assets		
Cash and short-term investments (note 3)	9,338	5,613
Accounts receivable (note 4)	4,339	5,645
Inventories	551	641
Prepaid expenses	577	747
	14,805	**12,646**
Deferred pension charges (note 5)	**3,609**	**2,802**
Investments held for Capital Renewal (note 7)	**9,380**	**9,538**
Net Capital Assets (note 6)	**16,594**	**17,389**
Total Assets	**44,388**	**42,375**
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	7,900	7,074
Deferred revenue (note 8)	1,780	209
Lease obligations (note 9)	83	198
	9,763	**7,481**
Non Current Liabilities		
Lease obligations (note 9)	199	271
Employee future benefits (note 5)	543	0
Deferred capital contributions (note 10)	21,359	22,463
	22,101	**22,734**
Equity		
Invested in capital assets	4,333	3,995
Restricted - Deferred pension charges (note 5)	3,609	2,802
Unrestricted	4,582	5,363
	12,524	**12,160**
Total Liabilities and Equity	**44,388**	**42,375**

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Director

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Operations and Equity
for the year ended March 31, 2001

	2001 ($000's)	2000 ($000's)
Revenues		
Government grants and funding (note 11)	50,226	51,313
TVOntario generated gross revenue (note 12)	12,513	16,155
Amortization of deferred capital contributions (note 10)	2,422	2,948
Deferral of pension charges (note 5)	807	728
Capital revenue and renewal fund, net	164	245
	66,132	**71,389**
Expenses		
Network activities (note 13)	49,885	51,394
Administrative services	5,872	7,199
Cost of generated revenue (note 12)	5,609	6,658
Amortization of capital assets	3,503	4,010
Research and planning	899	1,042
	65,768	**70,303**
Excess of revenues over expenses	**364**	**1,086**
Equity, beginning of year	**12,160**	**11,074**
Equity, end of year	**12,524**	**12,160**

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Changes in Equity

for the year ended March 31, 2001

	2001 ($000's)				2000 ($000's)
	Invested in Capital Assets	Restricted Deferred Pension Charges	Unrestricted	Total	Total
Balance, beginning of year	3,995	2,802	5,363	**12,160**	**11,074**
Excess of revenues over expenses	(1,081)	807	638	**364**	**1,086**
Investment in Capital assets	1,419	0	(1,419)	**0**	**0**
Balance, end of year	**4,333**	**3,609**	**4,582**	**12,524**	**12,160**

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Cash Flows
for the year ended March 31, 2001

	2001 ($000's)	2000 ($000's)
OPERATING ACTIVITIES		
Excess of revenues over expenses	364	1,086
Add (deduct) non-cash items:		
Amortization of capital assets	3,503	4,010
Amortization of deferred capital contributions	(2,422)	(2,948)
Deferral of pension charges	(807)	(728)
Employee future benefits	543	0
Loss on disposal of capital assets	112	67
Net change in non-cash working capital:		
Accounts receivable	1,306	(453)
Inventories	90	(53)
Prepaid expenses	170	304
Deferred revenue	1,571	(102)
Accounts payable and accrued liabilities	826	86
Cash provided by (used in) operating activities	**5,256**	**1, 269**
INVESTING AND FINANCING ACTIVITIES		
Capital asset additions	(3,024)	(1,146)
Proceeds from disposal of capital assets	204	41
Current year's deferred capital contributions	1,476	279
Lease obligations	(187)	69
Cash provided by (used in) investing and financing activities	**(1,531)**	**(757)**
Net increase in cash position during the year	**3,725**	**512**
Cash and short-term investments, beginning of year	**5,613**	**5,101**
Cash and short-term investments, end of year	**9,338**	**5,613**

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Notes to Financial Statements
March 31, 2001

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the Authority) is a provincial Crown Corporation that was created in June 1970 by an act of the Ontario Legislature. In accordance with the act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario and a registered non-profit organization under the Income Tax Act, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Building	30 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Leasehold Improvements	5 years
In House Technical Equipment	7 years
Transmitter Test & Monitor Equipment	7 years
Transmitters	17 years
Computer Equipment	5 years
Vehicles	5 years

(d) Revenue recognition

1. Revenue from the licensing of program material is recognized when the rights to the program material are sold.
2. Membership contributions are recorded on a cash basis.
3. Grants and revenues received in the year for special purposes are deferred until the related expenditure has been incurred.
4. Revenue from contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.

(e) Employee Future Benefits

Effective April 1, 2000, the Authority prospectively applied the new accounting recommendations for employee future benefits. The Authority accrues its obligations under employee defined benefit plans and the related costs, net of plan assets. The transitional asset and obligations are being amortized over the expected average remaining service period of active employees expected to receive benefits under these plans. The cost of pension benefits and other post retirement benefits for the defined benefit plans are actuarially determined by independent actuaries using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued at market value.

(f) Use of Estimates

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND SHORT-TERM INVESTMENTS

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by Ontario, any other province of Canada, Canada or the United Kingdom, securities issued by the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments include $6,829,000 (2000 - $4,323,000) of investments maturing within 60 days, yielding 5.5% (2000 -4.7%) on average, with a market value that approximates carrying value.

4.ACCOUNTS RECEIVABLE

	2001 ($000's)	2000 ($000's)
Project funding	3,288	3,784
Trade	650	1,094
Other	401	767
	4,339	5,645

5.EMPLOYEE FUTURE BENEFITS

The Authority maintains non-contributory defined benefit pension plans and a defined contribution pension plan for its employees.

Under it's defined benefit pension plan, the Authority had an accrued benefit asset at March 31 of $3,609,000 (2000-$2,802,000). The Authority's deferral of pension charges for the year was $807,000 (2000-$728,000). No employer contributions were made to the plan during the year, and pension benefits paid were $2,174,000 (2000-$2,136,000).

The Authority's contributions during the year to the defined contribution pension plan were $234,000 (2000-$235,000).

The Authority also offers non-pension post retirement benefits such as health care to employees through defined benefit plans on a cost sharing basis. At March 31, the unfunded post retirement benefit plan had a net accrued benefit liability of $543,000. This is the first year recognizing this liability. The post retirement benefits paid by the Authority during the year were $73,000. The Authority's post retirement benefits expense for the year was $616,000.

Additional information about the Authority's defined benefits plans at March 31, in aggregate is as follows:

	Pension Benefit Plans		Post Retirement Benefit Plan	
	2001 ($000's)	2000 ($000's)	2001 ($000's)	2000 ($000's)
Accrued benefit obligation	56,115	50,071	3,963	3,471
Market value of plan assets	71,976	66,063	0	0
Funded status - plan (surplus)/deficit	(15,861)	(15,992)	3,963	3,471

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are:

	Pension Benefit Plans		Post Retirement Benefit Plan	
	2001	2000	2001	2000
Discount rate	7.00%	7.45%	7.00%	7.45%
Expected investment return on plan assets	8.00%	8.00%	0	0
Rate of compensation increase	5.00%	5.00%	0	0

For measurement purposes, a 9.0% increase in the cost of covered health care benefits reducing to 5.0% by the year 2007, a 4.0% increase in dental care benefits, and no increase in life insurance costs are assumed.

6. NET CAPITAL ASSETS

Capital assets consist of the following:

	2001 ($000's)			2000 ($000's)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	236	0	236	236
Buildings	4,706	2,570	2,136	2,291
Transmitters	27,139	20,435	6,704	7,849
Transmitter test and monitor Equipment	840	771	69	76
In house technical equipment	20,495	17,291	3,204	3,019
Leasehold improvements	3,575	2,276	1,299	961
Computer equipment	4,234	2,516	1,718	1,405
Office furniture and fixtures	2,033	1,503	530	563
Office equipment	1,080	742	338	393
Vehicles	684	324	360	596
	65,022	48,428	16,594	17,389

7. INVESTMENTS HELD FOR CAPITAL RENEWAL

	2001 ($000's)	2000 ($000's)
Balance, beginning of year	9,538	8,685
Grants from the Ministry of Training, Colleges and Universities (note 11)		
- capital grant	0	500
- base grant allocation	961	461
Interest earned	521	416
Drawing for capital acquisitions	(1,640)	(524)
Balance, end of year	9,380	9,538

A portion of the funding received each year has been set aside since the 1984 fiscal year to ensure that the Authority's technical capital assets keep pace with technological changes. It provides funds for future maintenance and replacement of technical capital assets when needed. Available funds are invested in short-term deposits.

8. DEFERRED REVENUE

	2001 ($000's)	2000 ($000's)
Provincial government programming project funding (note 11)	1,740	70
Corporate project underwriting and other revenue	40	139
	1,780	209

Expenditure related to the above deferrals has been budgeted in the 2002 fiscal year.

9. LEASE OBLIGATIONS

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

	2001 ($000's)	2000 ($000's)
Lease obligations, beginning of year	469	400
Add: new capital leases	209	265
Less: payments made on existing capital leases	(148)	(163)
retirement of capital leases	(248)	(33)
Lease obligations, end of year	282	469
Current lease obligations	83	198
Non-current lease obligations	199	271

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of contributions received for the purchase of capital assets not yet recognized as revenue. The changes in the deferred contributions balance are as follows:

	2001 ($000's)	2000 ($000's)
Deferred capital contributions, beginning of year	22,463	24,279
Add: Capital renewal fund received and interest Earned	1,482	1,377
Current year's Deferred capital contributions	1,476	279
Less: Drawings from Capital renewal fund	(1,640)	(524)
Amortization of Capital contributions	(2,422)	(2,948)
Deferred capital contributions, end of year	21,359	22,463

11. GOVERNMENT GRANTS AND FUNDING

	2001 ($000's)	2000 ($000's)
Provincial		
Ministry of Training, Colleges and Universities		
- Base grant	48,040	47,540
- Capital Grant	0	500
	48,040	48,040
Less: Amount transferred to investments held for capital renewal (note 7)	(961)	(961)
	47,079	47,079
Programming project grants and funding:		
Ministry of Training, Colleges and Universities – Life Long Learning Challenge Fund	1,750	0
Other Province of Ontario Ministries & Agencies	767	686
Funding deferred from prior year	70	0
Funding deferred to future year (note 8)	(1,740)	(70)
	847	616
Total Provincial	47,926	47,695

Federal

Programming project grants and funding:		
Heritage Canada	2,041	3,369
Others	259	249
Total Federal	2,300	3,618
Total government grants and funding	50,226	51,313

12. TVONTARIO GENERATED GROSS REVENUE AND COST OF GENERATED REVENUE

	2001 ($000's)			2000 ($000's)		
	Revenue	Cost*	Net Revenue	Revenue	Cost*	Net Revenue
Program sales	2,982	2,368	614	3,310	2,313	997
Membership	5,323	2,827	2,496	6,959	3,502	3,457
Corporate project underwriting **	1,046	262	784	2,112	600	1,512
Other income	3,162	152	3,010	3,774	243	3,531
	12,513	5,609	6,904	16,155	6,658	9,497

*Cost includes dedicated costs and allocated overhead costs.

	2001 ($000's)	2000 ($000's)
** Corporate project underwriting revenue:		
Revenue received in the year	998	1,868
Revenue deferred from prior year	51	295
Revenue deferred to future year	(3)	(51)
	1,046	2,112

13. NETWORK ACTIVITIES

	2001 ($000's)	2000 ($000's)
English programming services	27,766	28,427
French programming services	13,743	17,200
Common services and support		
- Broadcast distribution and production support	4,560	3,372
- Advertising and promotion	2,743	2,395
- New Media	1,073	0
	49,885	**51,394**

14. COMMITMENTS

The Authority has entered into capital and operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31	($000's)
2002	1,726
2003	1,689
2004	1,581
2005	1,548
	6,544
2006 and beyond	2,131
Total future lease payments	**8,675**

The total interest payable included in the amount is $52,000.

15. CONTRIBUTED MATERIALS AND SERVICES

The Authority uses the services of volunteers to assist primarily in the membership area. The Authority also receives contributions of materials for use mainly in fund raising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

16. THE TVONTARIO FOUNDATION

The Authority controls The TVOntario Foundation (the Foundation) which became designated as a public foundation effective April 1, 1998. The board of directors of the Foundation is appointed by the board of directors of the Authority. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The objectives of the Foundation are to receive and maintain a fund or funds and to pay all or part of the principal and income to the Authority provided that the Authority maintains its status as a registered charity and continues to have as its objective the promotion of educational and/or children's programming.

The accounts of the Foundation are not consolidated in the financial statements of the Authority. Financial summaries of the Foundation are as follows:

The TVOntario Foundation

Financial Position as at March 31st

	2001 ($000's)	2000 ($000's)
Cash on hand	38	33
Total assets	38	33
Fund balance	38	33

Results of operations for the year ending March 31st

	2001 ($000's)	2000 ($000's)
Revenue		
Donations	5	0
Total revenue	5	0
Total expenses*	0	0
Excess of revenue over expenses	5	0
Fund balance, beginning of year	33	33
Fund balance, end of year	38	33

* The board of directors of the Authority has approved the funding of the Foundation's expenditures through the Authority until the Foundation is self-sufficient. The funding provided is net of interest earned on the Foundation's assets. The Foundation's net expenditures absorbed by the Authority were minimal during the year ended March 31, 2001 (2000 - $139,000).

17. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to current presentation.

Ontario Electricity Financial Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Electricity Financial Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 1, 2001.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:

Gadi May

Gadi Mayman
Vice-Chair and
Chief Executive Officer (Interim)

Auditor's Report

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Electricity Financial Corporation
and to the Minister of Finance

I have audited the consolidated balance sheet of the Ontario Electricity Financial Corporation as at March 31, 2001 and the consolidated statements of revenue, expense and unfunded liability and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
June 1, 2001

Erik Peters, FCA
Provincial Auditor

Ontario Electricity Financial Corporation

Consolidated Balance Sheet as at March 31, 2001

(with comparative figures at March 31, 2000)

($ Millions)

	March 31 2001	March 31 2000
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	$ 399	$ 2
Accounts receivable	293	134
Interest receivable	112	119
Current portion of notes receivable (Note 7)	640	1,533
	1,444	1,788
Payments-in-lieu of tax receivable (Note 11)	284	—
Electricity sector dedicated income due from Province (Note 6)	791	383
Notes and loans receivable (Note 7)	15,279	15,894
Deferred debt costs	983	914
	$ 18,781	$ 18,979
LIABILITIES		
Current Liabilities		
Accounts payable	$ 326	$ 101
Interest payable	734	726
Short-term notes payable (Note 8)	2,570	3,446
Current portion of long-term debt (Note 8)	2,774	2,226
	6,404	6,499
Long-term debt (Note 8)	25,222	25,666
Power purchase contracts (Note 9)	4,286	4,286
Nuclear funding liability (Note 9)	2,659	2,515
	38,571	38,966
Guarantees (Note 13)		
UNFUNDED LIABILITY (Note 4, 11)	(19,790)	(19,987)
Approved on behalf of the Board of Directors:	$ 18,781	$ 18,979

Gadi May

Bob Christie
Chair

Gadi Mayman
Vice-Chair

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Consolidated Statement of Revenue, Expense and Unfunded Liability

for the Year Ended March 31, 2001
(with comparative figures for 2000)
($ Millions)

	March 31 2001	March 31 2000
REVENUE		
Revenue pool residual (Note 10)	$ 748	$ 172
Payments-in-lieu of tax	988	889
Interest	1,070	1,118
Power sales (Note 9)	695	741
Electricity sector dedicated income (Note 6)	408	383
Other	27	27
Total Revenue	3,936	3,330
EXPENSE		
Interest - short-term debt	166	158
- long-term debt	2,361	2,490
Interest on nuclear funding liability	144	137
Amortization of deferred charges	146	180
Power purchases (Note 9)	695	741
Debt guarantee fee	157	156
Operating	23	22
Total Expense	3,692	3,884
Excess (deficiency) of revenue over expense	244	(554)
Unfunded Liability (Note 11)	20,034	19,433
Unfunded Liability, end of year	$ 19,790	$ 19,987

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Consolidated Statement of Cash Flows

for the Year Ended March 31, 2001

(with comparative figures for 2000)

($ Millions)

	March 31 2001	March 31 2000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expense	$ 244	$ (554)
Adjustments for:		
Amortization of deferred debt costs	146	180
Interest on nuclear funding liability	144	137
Electricity sector dedicated income due from Province	(408)	(383)
Payments-in-lieu of tax receivable	(284)	—
Net change in other balance sheet accounts	(18)	(249)
Net cash used in operations	(176)	(869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	2,924	1,827
Less long-term debt retired	3,008	1,670
Long-term debt issued (retired), net	(84)	157
Short-term debt issued (retired), net	(876)	695
Payment from notes receivable	1,533	—
Net cash provided by financing activities	573	852
Increase (decrease) in cash and cash equivalents	397	(17)
Cash and cash equivalents, beginning of year	2	19
Cash and cash equivalents, end of year	$ 399	$ 2
Interest paid during the year and included in excess (deficiency) of revenue over expense	$ 2,575	$ 2,685

See accompanying notes to financial statements.

Notes to Financial Statements

1. Restructuring of the Ontario Electricity Industry

Effective April 1, 1999, pursuant to the *Electricity Act, 1998*, Ontario Hydro was continued as a corporation without share capital under the name Ontario Electricity Financial Corporation (OEFC). OEFC is a corporation established under the laws of Ontario. It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. OEFC is a Crown agency created to manage the debt and administer the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities. These other successor entities include:

- Ontario Power Generation Inc. (OPG), an electricity generation company;
- Hydro One Inc. (HOI), a regulated electricity transmission and distribution business that operates certain energy service businesses in an unregulated, competitive environment;
- Independent Electricity Market Operator (IMO), the regulated centralized independent system co-ordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and HOI (and their subsidiaries) and the IMO for $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. On the same day, the Province exchanged equity of $5,126 million and $3,759 million in OPG and HOI respectively for debt payable to OEFC.

OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and, as provided under the *Energy Competition Act, 1998*, from dedicated electricity revenues in the form of payments-in-lieu (PILs) of corporate income, capital and property taxes made by the successor entities and municipal electric utilities. Any residual debt will be serviced through a Debt Retirement Charge (DRC) to be paid by electricity consumers after open access. Until open access, OEFC will continue to be a party to a revenue-allocation agreement among successor entities and is entitled to the forecast residual amount in the revenue pool after allocations to OPG, HOI and the IMO are paid.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) as recommended in the Handbook of the Canadian Institute of Chartered Accountants.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the estimated liability for power purchase agreements (see Note 9 for additional details). In addition, the amount of the nuclear funding liability is dependent on an agreement currently under negotiation between the Province and OPG. Estimates are based on the best information available at the time of preparation of the financial statements and will be adjusted annually to reflect new information as it becomes available.

Consolidation

These financial statements include the accounts of OEFC's wholly owned subsidiary, Ontario Electricity Pension Services Corporation (see Note 3).

Deferred Debt Costs

Deferred debt costs includes the unamortized amounts related to unrealized foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies and discounts or premiums arising from the issuance of debt or the acquisition of debt prior to maturity.

Revenue Recognition

Revenues are recognized in the period in which they are earned. Amounts received prior to being earned are reflected as deferred revenues.

Foreign Currency Translation

Debt is composed of short-, medium- and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at period-end rates of exchange and any exchange gains or losses are deferred and amortized over the remaining term to maturity.

3. Ontario Electricity Pension Services Corporation

OEFC is the administrator of the Ontario Electricity Financial Corporation Pension Plan and Fund. It is responsible for negotiating an agreement with each of the successor corporations for the division and transfer of the assets and liabilities of the OEFC pension plan to the pension plans of the successor corporations. The Ontario Electricity Pension Services Corporation, (OEPSC), a wholly owned subsidiary of OEFC, acts as agent for OEFC to carry out the required administrative, investment and other responsibilities of the OEFC Pension Plan and Fund. Costs associated with the administration of the OEFC Pension Plan and Fund amounting to approximately $17 million in calendar 2000 (calendar 1999 - $17 million) are charged to and payable by the pension fund.

OEPSC has made application to the Superintendent of Financial Services for Ontario for approval to transfer all of the assets of the OEFC Pension Plan to the pension plans of the four successor operating entities. The Superintendent agreed to the transfer on June 6, 2001.

4. Economic Dependence

OEFC does not have its own credit rating and is, therefore, dependent on the Province to borrow and on-lend the funds required to refinance maturing debt and to cover any cash shortfalls in the Corporation. It is also dependent on the long-term plan to defease the unfunded liability described in Note 11. Based on the Province's support in refinancing maturing debt and the long-term plan, OEFC is considered a going concern.

5. Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments with maturities of less than three months. They are recorded at cost, which approximates current market value.

6. Electricity Sector Dedicated Income

The Province has committed to dedicate the combined net income of OPG and HOI in excess of the Province's cost of its investment in its electricity subsidiaries to OEFC. In the year ended March 31, 2001, OPG and HOI earned an aggregate amount of $928 million ($903 million for 2000) i.e., $408 million ($383 million for 2000) in excess of the Province's $520 million interest cost of the equity investments in those companies. The $408 million amount has been reflected as income in OEFC and as an increase in the receivable from the Province.

7. Notes and Loans Receivable

($ millions)

	Interest rate	Interest payable	March 31, 2001	Maturity date	March 31, 2000
Province of Ontario	5.85	Monthly	$ 8,885	2039 - 2041	$ 8,885
OPG	5.3 to 6.65	Semi-annually	3,300	2002 - 2011	3,400
HOI	5.4 to 14.3	Semi-annually	3,412	2001 - 2007	4,845
IMO	7.90	Semi-annually	78	2009	78
			15,675		17,208
Less: current portion of notes receivable			640		1,533
			15,035		15,675
Loans receivable from non-utility generators (NUGs) (See Note 9)			244		219
			$ 15,279		**$ 15,894**

OEFC has agreed with OPG, HOI and IMO not to sell notes owing from these successor entities without their prior approval.

8. Debt

Debt at March 31, 2001 is set out below by maturity and by original currency of issue.

($ millions) Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	2001 Total	2000 Total
Maturing before:					
March 31, 2001	—	—	—	—	5,672
March 31, 2002	4,203	1,141	—	5,344	2,708
March 31, 2003	2,548	—	—	2,548	2,848
March 31, 2004	1,748	—	65	1,813	1,813
March 31, 2005	2,700	—	—	2,700	2,000
March 31, 2006	1,000	—	—	1,000	—
1-5 years	12,199	1,141	65	13,405	15,041
6-10 years	7,124	1,530	—	8,654	6,787
11-15 years	648	1,183	—	1,831	2,876
16-20 years	1,078	—	—	1,078	500
21-25 years	3,558	—	—	3,558	3,133
26-50 years	2,040	—	—	2,040	3,001
Total	**$ 26,647**	**$ 3,854**	**$ 65**	**$ 30,566**	**$ 31,338**

The effective rate of interest on the debt portfolio is 7.85% before considering the effect of derivative instruments used to manage interest rate risk. As at March 31, 2001, $2.2 billion of the $3.9 billion foreign debt is hedged. Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

	March 31, 2001			March 31, 2000		
($ millions)	Held by the Province	Guaranteed by the Province	Total	Held by the Province	Guaranteed by the Province	Total
Short-term debt	2,570	—	2,570	3,446	—	3,446
Current portion of long-term debt	569	2,205	2,774	500	1,726	2,226
Long-term debt	8,056	17,166	25,222	5,701	19,965	25,666
Total	**$ 11,195**	**$ 19,371**	**$ 30,566**	**$ 9,647**	**$ 21,691**	**$ 31,338**

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2001 is $34.4 billion (March 31, 2000 - $35.4 billion). This is higher than the book value of $30.6 billion (March 31, 2000 - $31.3 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

9. Long-Term Liabilities

Power purchase contracts and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. These contracts, expiring on various dates to 2048, provide for the purchase of power at prices that are expected to be in excess of the market price. This liability has been valued at $4,286 million on a discounted cash-flow basis. As the continued Ontario Hydro, OEFC is the counterparty to these contracts. Currently, the power purchased from NUGs is resold at cost to the power grid managed by OPG. However, after open access, this power will be sold at market prices that may be greater or less than cost.

During the year, OEFC purchased power in the amount of $695 million (March 31, 2000 - $741 million) and sold this power to the power grid for the same amount. HOI manages the NUG power purchase contracts and the related loans on behalf of OEFC for an annual fee of $3 million (March 31, 2000 - $3 million), partially offset by a recovery of $2 million (March 31, 2000 - Nil) of transmission expansion costs originally paid by Ontario Hydro, which net cost is included in operating expense. Loans to NUGs increased during the year by $25 million to $244 million at March 31, 2001 (March 31, 2000 - $219 million), primarily due to interest revenue during the year which has been added to the principal balance.

Nuclear funding liability - OEFC as the continued Ontario Hydro received a liability in the amount of $2,378 million representing nuclear waste management and asset removal liabilities that were incurred prior to April 1, 1999. Interest has been accrued at an estimated 5.75 per cent and is included in the total value of $2,659 million as at March 31, 2001 (March 31, 2000 - $2,515 million). The interest rate is still under negotiation with the Province and is subject to change. The impact of the finalization of the interest rate for the fiscal year is not expected to result in a material difference to the liability balance.

10. Revenue Pool Residual

As explained in Note 1, OEFC is the beneficial owner of the forecast residual of the revenue pool, managed by OPG, which collects revenues from electricity consumers and allocates revenues to OPG, Hydro One and the IMO. The forecast residual of the revenue pool is cyclical in nature due to seasonal variations in pricing. As a result, the residual, while positive in the first and fourth quarters of the calendar year, is negative in the second and third quarters.

It was agreed by OEFC and OPG that OEFC would receive an average payment per month which would eliminate the seasonal variation in the pool residual and ensure that OEFC would never need to borrow cash to make up the shortfall. In the accounts, this revenue stream was recorded as received, adjusted for the one month accrual at each year-end.

These interim arrangements were to remain in effect until open access at which time the revenue pool would cease to operate and the Debt Retirement Charge (DRC) would be collected direct from electricity consumers. Open access was originally announced for November 2000 and OEFC's forecast residual for calendar 2000 was calculated over the ten months ended October in anticipation of the November opening. Once open access was delayed past November, it became apparent that the term over which the average should be calculated was unknown. Consequently, beginning in

November 2000, OEFC began to receive the forecast residual as earned each month and reflected this stream as revenue in the accounts. The revenue in OEFC in fiscal 2000-01 has benefitted by including both the increased revenue over the summer of 2000 and the real earnings in the pool over the winter of 2000-01.

11. Unfunded Liability

In the previous year, PILs revenue was recognized on a cash basis and reflected only cash received during the year. For fiscal 2000-01, OEFC has changed its accounting policy to recognize PILs revenue on an accrual basis. The change was made to conform with accounting policies of the Province. Therefore, PILs earned during the year will now include deferred taxes, regardless of when those taxes will be paid.

The previously unrecognized $200 million accrual of PILs revenue has been added to the balance of the opening unfunded liability. In addition, the opening unfunded liability has also been adjusted to account for working capital adjustments in successor companies in the amount of $247 million. The effect of these adjustments is as follows:

Unfunded Liability, March 31, 2000	$ 19,987
Adjustments during the year:	
Accrual for PILs revenue	(200)
Working capital for OPG and HOI	247
Balance after adjustments	$ 20,034

The opening unfunded liability of $19.4 billion at April 1, 1999 was composed of $38.1 billion in liabilities assumed from old Ontario Hydro less the value of assets transferred to OEFC at April 1, 1999 including $17.2 billion in notes receivable and $1.5 billion in loans receivable and other assets. Pursuant to the *Electricity Act, 1998* and consistent with the principles of electricity restructuring, the government has a long-term plan in place to retire OEFC liabilities, from within the electricity industry. The Plan includes cash flows from the following sources as at April 1, 1999:

Notes receivable from the Province of $8.9 billion, OPG of $3.4 billion, HOI of $4.8 billion and IMO for $0.1 billion for a total of $17.2 billion as a result of the transfer of assets to successor companies,

Payments-in-lieu of corporate income, property and capital taxes made by OPG, HOI and municipal electric utilities.

A **Debt Retirement Charge** to be paid by ratepayers based on the consumption of electricity, and

Electricity Sector Dedicated Income - Consistent with the Government's commitment to keep electricity income in the electricity sector, the combined net income of OPG and HOI in excess of the Province's cost of its investment in its electricity subsidiaries will be set aside for the retirement of OEFC's debt.

The long-term plan supports estimates that OEFC's obligations will be defeased in the years ranging from 2010 to 2017.

12. Risk Management and Derivative Financial Instruments

OEFC employs prudent risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, OEFC uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency cash flows to reach a maximum of 20 per cent of total debt. At year end, 7.1 per cent of this debt was unhedged, with most of the currency exposure to US dollars.

Interest rate risk is the risk of debt servicing costs varying due to changes in interest rates. OEFC reduces its exposure to rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt, net of liquid reserves, to reach a maximum of 20 per cent of total debt. At year end, OEFC's floating rate debt as a percentage of total debt was 5.7 per cent.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2001, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit or market risk. Notional amounts are not representative of actual cash flows.

Derivative Portfolio Notional Value
($ millions)
As at March 31, 2001

Maturity in Fiscal Year	2002	2003	2004	2005	2006	6-10 Years	Over 10 Years	Total	2000
Cross-currency swaps	284	-	638	-	-	884	-	1,806	1,307
Interest rate swaps	797	505	1,814	292	730	1,235	1,520	6,893	6,179
Forward foreign exchange contracts	1,171	-	-	-	-	-	-	1,171	1,151
Other	662	-	-	-	-	-	-	662	1,445
Total	$ 2,914	505	2,452	292	730	2,119	1,520	10,532	10,082

Entering into derivatives contracts results in credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2001.

Credit Risk Exposure ($ millions)	March 31, 2001	March 31, 2000
Gross credit risk exposure	5,437	4,850
Less: Netting agreements	(5,519)	(5,019)
Net credit risk exposure	$ (82)	$ (169)

Note:

Contracts do not have coterminous settlement dates. Netting agreements use generally accepted forms and terms developed by the International Swaps and Derivatives Association (ISDA). Based on ISDA definitions, total exposure to counterparties with positive exposure was $210 million (meaning that counterparties owed OEFC) and total exposure to counterparties with negative exposure was $292 million (meaning that OEFC owed counterparties) for a total net credit exposure to ($82) million on March 31, 2001.

OEFC manages its credit risk exposure through daily monitoring compliance with credit limits and by dealing with counterparties with good credit ratings of A- or higher. Counterparties for money market and other short-term transactions must have at least an R1-mid rating by Dominion Bond Rating Service or an A-1 or P-1 rating by Standard and Poor's or Moody's respectively.

OEFC also limits its credit risk exposure on derivatives by entering into contractual netting agreements with virtually all of its counterparties, which enables it to settle derivative contracts on a net basis in the event of a counterparty default. The gross credit risk exposure represents the amount of loss that OEFC would suffer if every counterparty to which OEFC was exposed were to default at the same time and no netting of negative exposures was allowed. The net credit risk exposure includes the mitigating impact of these netting agreements.

13. Guarantees

Subject to a $10 million and $20 million deductible respectively, OEFC has agreed to indemnify HOI and OPG in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the companies at April 1, 1999, any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province of Ontario has guaranteed any liability arising from these indemnifications.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 9. These guarantees total approximately $135 million at March 31, 2001 (March 31, 2000 - $146 million).

14. Comparative Figures

Prior year's figures have been re-classified where necessary to conform with the current year's presentation.

Ontario Financing Authority

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Financing Authority have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 15, 2001.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors, and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Gadi May

Gadi Mayman
CEO and Vice-Chair (Interim)
Ontario Financing Authority

Ontario Financing Authority

Auditor's Report

**Office of the
Provincial Auditor
of Ontario**

**Bureau du
vérificateur provincial
de l'Ontario**

**Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862**

Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 2001 and the statements of net income and retained earnings and of cash flow statement for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2001 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
June 15, 2001

Erik Peters, FCA
Provincial Auditor

Ontario Financing Authority

Balance Sheet

As at March 31, 2001

(in thousands of dollars)	Corporate	POSO	Total 2001	Total 2000
ASSETS				
Current assets				
Cash	$ 129	13,444	13,573	$ 22,734
Receivable from the Province of Ontario (note 2i)	314	2,139,791	2,140,105	2,307,436
Accounts receivable	3,857	42,944	46,801	40,634
Loans receivable (note 4)	301	—	301	326
Total current assets	$ 4,601	2,196,179	2,200,780	$ 2,371,130
Long-term assets				
Capital assets (note 3)	1,263	657	1,920	2,022
Receivable from the Province of Ontario (note 2ii)	—	446,194	446,194	532,885
Loans receivable (note 4)	79,043	—	79,043	79,505
Total assets	$ 84,907	2,643,030	2,727,937	$ 2,985,542
LIABILITIES AND RETAINED EARNINGS				
Current liabilities				
Accounts payable and accrued liabilities	$ 5,021	38,758	43,779	$ 37,644
Funds on deposit (note 2i)	—	2,091,494	2,091,494	2,279,288
Due to the Province of Ontario (note 4)	301	—	301	326
Total current liabilities	$ 5,322	2,130,252	2,135,574	$ 2,317,258
Long-term debt				
Funds on deposit (note 2ii)	—	446,194	446,194	532,885
Due to CPP and the Province of Ontario (note 4)	79,053	—	79,053	79,515
Total liabilities	$ 84,375	2,576,446	2,660,821	$ 2,929,658
Retained earnings	532	66,584	67,116	55,884
Total liabilities and retained earnings	$ 84,907	2,643,030	2,727,937	$ 2,985,542

See accompanying notes to financial statements.

Approved on behalf of the Board:

Gadi May

Bob Christie
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer (Interim)

Ontario Financing Authority

Statement of Net Income and Retained Earnings

Year ended March 31, 2001

(in thousands of dollars)	Corporate	POSO	Total 2001	Total 2000
REVENUE				
Interest revenue	$ 7,664	137,697	145,361	$ 142,615
Cost recovery from the Province	11,494	—	11,494	10,392
Miscellaneous revenue	—	821	821	1,540
Total revenue	$ 19,158	138,518	157,676	$ 154,547
EXPENDITURES				
Interest on short-term debt	$ —	89,560	89,560	$ 81,824
Interest on long-term debt	7,656	24,147	31,803	39,868
Salaries, wages and benefits	8,747	9,144	17,891	16,620
Administrative and general	2,011	4,202	6,213	6,148
Amortization	736	241	977	1,166
Total expenditures	$ 19,150	127,294	146,444	$ 145,626
Net income for the period	$ 8	11,224	11,232	$ 8,921
Retained earnings, beginning of the period	524	55,360	55,884	46,963
Retained earnings, end of the period	$ 532	66,584	67,116	$ 55,884

See accompanying notes to financial statements.

Ontario Financing Authority
Cash Flow Statement

Year ended March 31, 2001

(in thousands of dollars)	Corporate	POSO	Total 2001	Total 2000
Cash flows from operating activities				
Net income for the year	$ 8	11,224	11,232	$ 8,921
Adjustments to reconcile net income to funds provided by operating activities:				
Amortization	736	241	977	1,166
Net change in accounts receivable, payable and accrued liabilities	(184)	152	(32)	(1,478)
Cash flows from operating activities	$ 560	11,617	12,177	$ 8,609
Cash flows from financing activities				
Increase (decrease) in proceeds from depositors	$ —	(274,485)	(274,485)	$ 294,890
Repayments to the Province re: OMIC loans	(487)	—	(487)	(316)
Repayments from holders of OMIC loans	487	—	487	317
Cash flows used in financing activities	$ —	(274,485)	(274,485)	$ 294,891
Cash flows from investing activities				
Transfer of POSO funds from/ (to) the Province of Ontario	$ —	254,022	254,022	$ (324,975)
Purchase of capital assets	(552)	(323)	(875)	(783)
Cash flows from investing activities	$ (552)	253,699	253,147	$ (325,758)
Net increase(decrease) in cash	$ 8	(9,169)	(9,161)	$ (22,258)
Cash at beginning of the period	121	22,613	22,734	44,992
Cash at end of the period	$ 129	13,444	13,573	$ 22,734

See accompanying notes to financial statements.

Ontario Financing Authority

Notes to Financial Statements for the year ended March 31, 2001

(all tables are in thousands of dollars)

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA's objects are:

- to assist public bodies and the Province of Ontario to borrow and invest money;
- to develop and carry out financing programs, issue securities, manage cash, currency and other financial risks on behalf of the Province, or any public body;
- to provide such other financial services as are considered advantageous to the Province or any public body;
- to operate offices as provided under the Province of Ontario Savings Office Act, as agent for the Minister of Finance; and
- any additional objects as directed by the Lieutenant Governor in Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* of Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

(i) **General:** The financial statements are prepared in accordance with Canadian generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants.

(ii) **Capital assets:** Capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset as listed below. Amortization is not taken in the year of acquisition.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	remaining life of lease

2. PROVINCE OF ONTARIO SAVINGS OFFICE

The OFA operates the Province of Ontario Savings Office (POSO) as agent of the Minister of Finance. POSO accepts deposits from the general public, government and other public bodies that form part of the Consolidated Revenue Fund and are direct liabilities of the Province. Administration costs for the period ended March 31, 2001 of $992,066 (March 31, 2000 - $1,062,670) relating to POSO are provided by the Ministry of Finance and are not included in these financial statements. The average rate of interest paid to depositors and earned from the Province for the year ended March 31, 2001 was 4.25 per cent and 5.08 per cent respectively (March 31, 2000 was 4.28 per cent and 5.04 per cent respectively). These deposits are comprised as follows:

Summary of funds on deposit by general public and government agencies

	As at March 31, 2001			As at March 31, 2000		
	General Public	Government Agencies	Total	General Public	Government Agencies	Total
Short-term deposits	$ 83,911	117,000	200,911	$ 52,696	95,000	$147,696
Demand deposits	1,044,268	89,490	1,133,758	1,031,337	459,125	1,490,462
GIC's maturing within one year	756,825	-	756,825	641,130	-	641,130
Total Short-term funds	$ 1,885,004	206,490	2,091,494	$ 1,725,163	554,125	$2,279,288
Long-term funds	446,194	-	446,194	532,885	-	532,885
Total Funds on deposit	$ 2,331,198	206,490	2,537,688	$ 2,258,048	554,125	$2,812,173

Ontario Financing Authority

Notes to Financial Statements

(i) **Receivable from the Province of Ontario and short-term funds on deposit**

The total current 'Receivable from the Province' of $2,140,105 (March 31, 2000 - $2,307,436) includes short-term funds on deposit plus working capital, mainly of POSO.

(ii) **Receivable from the Province of Ontario and long-term funds on deposit**

The long-term 'Receivable from the Province' represents deposits for which POSO has issued long-term GICs. These deposits mature as follows:

	As at March 31, 2001		As at March 31, 2000	
Year ended March 31	**Principal Maturing**	**Effective Average Interest Rate (%)**	**Principal Maturing**	**Effective Average Interest Rate (%)**
2002	$ —		$ 250,290	5.71
2003	212,708	5.65	135,447	5.56
2004	87,599	5.53	55,984	5.35
2005	99,072	5.95	91,164	5.90
2006	46,815	5.92	—	
Total	**$ 446,194**		**$ 532,885**	

3. CAPITAL ASSETS

The balance of capital assets, net of amortization, is as follows (amortization begins in the year following acquisition):

	Cost	Accumulated Amortization	Net March 31, 2001	Net March 31, 2000
Furniture and equipment	$ 1,190	$ (1,072)	$ 118	$ 134
Computer hardware	5,518	(3,912)	1,606	1,688
Leasehold improvement	1,252	(1,056)	196	200
	$ 7,960	**$ (6,040)**	**$ 1,920**	**$ 2,022**

4. ONTARIO MUNICIPAL IMPROVEMENT CORPORATION (OMIC)

In accordance with the *Capital Investment Plan Act, 1993*, the Ontario Municipal Improvement Corporation (OMIC) ceased to exist and its assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) and the Province, which OMIC used to make loans to municipalities and school boards under similar terms as its debt.

Ontario Financing Authority

Notes to Financial Statements

As of March 31, 2001, the portion of long-term debt maturing in 2001-02 is $301,000 (March 31, 2000 - $326,000 maturing in 2000-01) and is due to the Province. Long-term debt (maturing in the year ended March 31, 2003 and future) is composed of debt due to the Province of $32,000 and to the Canada Pension Plan of $79 million (March 31, 2000- $494,000 and $79 million respectively, maturing in year ended March 31, 2002 and future). The terms of the outstanding debt are as follows:

	As at March 31, 2001		As at March 31, 2000	
Year ended March 31	**Principal Maturing**	**Effective Average Interest Rate (%)**	**Principal Maturing**	**Effective Average Interest Rate (%)**
2001	$ —		$ 326	13.58
2002	301	13.95	354	13.59
2003	5	11.25	64	11.55
2004	5	11.25	54	11.55
2005	6	11.25	6	11.25
2006	6	11.25	—	
1 - 5 years	$ 323		$ 804	
6 - 20 years	79,031	9.61	79,037	9.61
Total	**$ 79,354**		**$ 79,841**	

5. TRANSACTIONS WITH THE PROVINCE AND OTHER PUBLIC BODIES

(i) **Financing activities between the Province and other Public Bodies:** Acting as a financial conduit for the Province, the OFA provides financing to various public bodies, the repayment of which is expected from third-party revenues. The funds for these loans are advanced to the OFA by the Province under a credit facility of $2.16 billion. Repayments received from public bodies by the OFA are forwarded to the Province. These transactions are not reflected in these financial statements.

In compliance with an Ontario Financing Authority Lending Policy adopted by its Board of Directors on December 17, 1997, each advance received by the OFA under the current facility bears interest at a rate that is equivalent to the rate of interest payable to the OFA on the corresponding loan to a public body(ies). As of March 31, 2001, $222 million (March 31, 2000 - $215 million), including accrued interest, was advanced by the Province to the OFA and must be repaid by the OFA on or before August 31, 2027.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements, consisting of a number of promissory notes for terms not exceeding one year. Interest is payable on the principal plus any capitalized interest. As of March 31, 2001, these interest rates ranged from 4.50 per cent to 5.60 per cent (March 31, 2000 from 4.98 per cent to 5.48 per cent). It is the OFA's intention to replace these promissory notes with term debt, at which point repayment terms will be finalized.

Prior to March 31, 2001, the original amounts of promissory notes converted into debentures were as follows: Ontario Northland Transportation Commission - $3.9 million at 5.64 per cent maturing April 1, 2008, $12.7 million at 6.37 per cent maturing August 1, 2014, $19 million at 5.6 per cent maturing December 1, 2014; City of Windsor- $26.4 million at 6.41 per cent maturing March 31, 2021.

The following represents amounts receivable by the OFA on behalf of the Province, including capitalized interest, net of financing costs. These are related party transactions, with the exception of those with the City of Windsor.

Ontario Financing Authority

Notes to Financial Statements

	March 31, 2001	March 31, 2000
Metro Toronto Convention Centre	$ 161,726	$ 156,583
Ontario Northland Transportation Commission	32,977	34,717
Corporation of the City of Windsor	26,416	23,450
Centennial Centre of Science and Technology	608	607
	$ 221,727	**$ 215,357**

The Metro Toronto Convention Centre Corporation (MTCC) is a Crown agency of the Province under the Metropolitan Toronto Convention Centre Corporation Act. The majority of directors on the MTCC board are appointed by the Lieutenant Governor in Council.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990.* Members of the Commission are appointed by the Lieutenant Governor in Council.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act.* The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of provincial division courthouse and city police headquarters.

The Centennial Centre of Science and Technology is a Crown agency of the Province under the Centennial Centre of Science and Technology Act. Its Board of Trustees is appointed by the Lieutenant Governor in Council.

(ii) **Investing for Related Parties**: In the normal course of operations, the OFA provides investment management services to other public bodies. Funds managed on behalf of other public bodies (which are not reflected in these financial statements) as of March 31, 2001, consist of $224 million held on behalf of the Northern Ontario Heritage Fund Corporation (March 31, 2000 - $194 million), $101 million held on behalf of Ontario Trillium Foundation (March 31, 2000 - $58 million) and $20 million held on behalf of Ontario Securities Commission (March 31, 2000 - $15 million). The OFA also manages debt on behalf of the Province and was reimbursed $11.5 million for the year ended March 31, 2001 for these activities (March 31, 2000 - $10.4 million).

(iii) **Province of Ontario Savings Office:** Other related parties have deposited their funds on a short-term basis. Total amounts deposited as at March 31, 2001 were $206 million (March 31, 2000 - $554 million).

6. PENSION PLAN

The OFA provides pension benefits for its employees through participation in the Public Service Pension Plan. The OFA's pension contributions for the period ended March 31, 2001 were $733,000 (March 31, 2000 - $875,000).

7. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, receivable from the Province of Ontario, accounts payable and accrued liabilities and short-term funds on deposit approximate their fair values because of the short-term maturity of these instruments.

Given that the terms and amounts of the OFA's long-term receivables offset the OFA's long-term debt, providing fair values for these instruments would not add any more useful information to that which has already been presented in these financial statements.

Ontario Financing Authority

Notes to Financial Statements

8. CONTINGENCIES

The Province of Ontario Savings Office is from time to time involved in various legal proceedings arising out of the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

9. SUBSEQUENT EVENTS

In the May 9, 2001 Budget, the Ministry of Finance announced that the Government is proposing to sell the Province of Ontario Savings Office by soliciting offers through the Ontario SuperBuild Corporation.

10. SALARIES (absolute dollars)

The " Public Sector Salary Disclosure Act, 1996", requires disclosure of Ontario public-sector employees paid an annual remuneration in excess of $100,000. The amounts paid in 2000 to individuals listed below, who are identified with an asterisk (*), include salary and performance-based pay.

Name	Position	Remuneration Paid	Taxable Benefits
Charles Allain	Director - Debt Management	$ 154,460*	$ 354
Kanak Chopra	Director - Risk Control	$ 179,861*	$ 445
James Devine	Manager - Fixed Income & Medium-Term Notes	$ 148,857*	$ 345
Andrew Hainsworth	Manager - Funding	$ 151,178*	$ 345
Douglas Harrington	Financial Engineer	$ 104,260*	$ 331
Michael Manning	Executive Director - Capital Markets	$ 224,770*	$ 483
Gadi Mayman	CEO & Vice Chair, OFA	$ 234,781*	$ 539
Christine Moszynski	Director - Capital Markets Treasury	$ 117,308*	$ 293
David Peters	Manager - Derivatives	$ 149,980*	$ 345
William Ralph	Director - Corporate Finance	$ 137,958*	$ 312
Ken Russell	Legal Counsel	$ 104,410	$ 299
Tony Salerno	ADM - Office of Treasury/CEO - Vice Chair, OFA	$ 388,601*	$ 5,784
Corey Simpson	Legal Counsel	$ 115,379	$ 330

ONTARIO HOUSING CORPORATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Ontario Housing Corporation have been prepared in accordance with the accounting policies described in note 1 to the financial statements and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to April 24, 2001.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements and meets periodically with the internal auditors and the external auditors to deal with issues raised by them.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with accounting policies described in note 1 to the financial statements. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

David Peters
Chief Executive Officer and General Manager

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e etage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the balance sheet of the Ontario Housing Corporation as at December 31, 2000 and the statement of operations for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000, and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements.

Toronto, Ontario
April 24, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

ONTARIO HOUSING CORPORATION
Balance Sheet
As at December 31, 2000

	2000	1999
	(Thousands of dollars)	
ASSETS		
Investments in Properties (note 3)	1,089,756	1,118,485
Mortgages and Loans (note 4)	20,820	22,242
Amount due from Province of Ontario	189,253	130,025
Accounts Receivable	11,283	12,669
	1,311,112	1,283,421
Non-Profit Housing Fund (note 5)	1,360,238	1,359,963
	2,671,350	**2,643,384**
LIABILITIES		
Long-Term Debt (note 6)	944,649	969,581
Accounts Payable and Accrued Liabilities (note 7)	174,423	125,770
Uncashed Cheques	12,994	3,884
	1,132,066	1,099,235
Non-Profit Housing Fund (note 5)	1,360,238	1,359,963
CONTINGENT LIABILITY (note 14)		
EQUITY		
Contributed Surplus (note 8)	179,046	184,186
	2,671,350	**2,643,384**

See accompanying notes to financial statements.

On Behalf of the Board:

Chair

Chief Executive Officer and
General Manager

Treasurer

ONTARIO HOUSING CORPORATION
Statement of Operations
For the Year Ended December 31, 2000

	2000	1999
	(Thousands of dollars)	
Assisted Housing (note 9)		
Rental Revenue	336,617	326,993
Expenses		
Property Operating Expenses	327,760	310,357
Capital Repairs & Improvements	94,719	93,365
Grants in lieu of Municipal Taxes	121,272	121,130
Amortization (Principal and Interest)	101,779	101,885
Total Expenses	645,530	626,737
Net Operating Costs of Assisted Housing	308,913	299,744
Rent Supplements (note 10)	103,762	104,091
Contributions to Municipal Housing (note 11)	36,850	22,582
Rural and Native Housing (note 12)	8,090	7,822
Year 2000 Readiness Costs	0	21,983
Total Operating Costs	**457,615**	**456,222**
Subsidies		
Canada Mortgage and Housing Corporation	0	140,290
Province of Ontario (Loan Amortization Contribution)	18,880	19,412
Ministry of Municipal Affairs and Housing	438,735	296,520
Total Subsidies	**457,615**	**456,222**

See accompanying notes to financial statements.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

NATURE OF OPERATIONS

The Ontario Housing Corporation is an agency of the Ministry of Municipal Affairs and Housing and is continued under the *Ontario Housing Corporation Act* R.S.O. 1990 c.0.21.

Until December 31, 2000, the Corporation was the largest landlord in Ontario, owning approximately 84,000 public housing units; providing rent supplement payments for approximately 19,500 units within private, non-profit and cooperative rental housing buildings; providing subsidy to approximately 15,500 units within the Toronto Housing Company Inc. and to approximately 3,100 units under the Rural and Native Housing Program. The Corporation together with its agents - the 54 Local Housing Authorities - managed the Province's extensive public housing portfolio. Housing was provided to low-income households based on need. Eligible tenants paid rent based on income rather than on the size or type of housing provided.

On October 1, 1999, a new Social Housing Agreement between the Province and Canada Mortgage and Housing Corporation (CMHC) came into effect and replaced all previous agreements which existed between CMHC and the Corporation. Under the Agreement, the Province receives funds from the Federal Government and fully reimburses the Corporation for the operating losses incurred. This reimbursement includes the portion of operating losses formerly funded by CMHC.

IMPACT OF SOCIAL HOUSING REFORM ACT, 2000

Effective January 1, 2001, under the *Social Housing Reform Act, 2000 (SHRA)*, ownership of most of Ontario Housing Corporation's real estate assets and the responsibility for operating and maintaining them were transferred to 47 Local Housing Corporations, created under the *Business Corporations Act*. The *SHRA* provides that a Local Housing Corporation is not an agent or an administrative unit of the Government of Ontario. The sole shareholder of each Local Housing Corporation is the respective Service Manager designated under the *SHRA*. Municipalities, district social services administration boards, area services boards or other agencies, boards and commissions can be designated as Service Managers. As a result, the role of Ontario Housing Corporation in operating public housing units is greatly reduced. The residual financial responsibilities retained by the Corporation include: the administration of the Non-Profit Housing Fund; Loans to Colleges and Universities; Investment in Student Housing on Leased Land; mortgages on non-profit projects in difficulty; and any contingent liabilities.

By the end of March, 2001, approximately 98% of the Corporation's projects and responsibilities had been transferred to the Local Housing Corporations. It is expected that most of the remaining properties will be transferred or sold during 2001, with the exception of two properties that are subject to aboriginal land claims and consequently will likely be held by the Corporation until the Supreme Court of Canada rules on the claims.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies used in preparing the financial statements:

i) The Corporation uses the accrual method of accounting.

ii) Capital funds provided by the Province of Ontario for Investments in Properties are not repayable and are therefore recorded as Contributed Surplus. However, to reflect the full costs of operating the properties, relevant amortization charges (principal and interest) are imputed and included in the Net Operating Costs of Assisted Housing. Such amortization is offset by the subsidy from the Province of Ontario indicated in the Statement of Operations.

iii) Land and buildings held as investments in Provincial and Federal-Provincial properties are amortized on a basis equal to the reduction of the corresponding long-term debt. The provincial portion of the amortization is offset by a reduction to Contributed Surplus.

iv) Capital Repairs and Improvements including furniture and equipment purchases are expensed in the year incurred.

v) Because the Corporation does not maintain cash balances or equivalents, and does not engage in significant financing and investment activities, a statement of cash flows has not been included in these financial statements.

2. INSURANCE

Until May 14, 2000, the Corporation followed the policy of self-insuring its Provincial and Federal-Provincial properties for damages such as fire, water and vandalism. Costs of such repairs were charged to property operating expenses. The financial liability for all other risks rested with the Province.

Effective May 15, 2000, OHC arranged coverage for these risks from private insurance providers.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

3. INVESTMENT IN PROPERTIES

The Corporation's investment in properties is as follows:

		2000	1999
		(thousands of dollars)	
(a)	Provincial Housing	1,002,933	1,028,837
(b)	Federal-Provincial Housing	10,619	11,148
(c)	Rural and Native Housing	27,311	27,894
(d)	Student Housing on Leased Land	46,186	47,895
(e)	Other	2,707	2,711
		1,089,756	1,118,485

(a) Provincial Housing

This investment represents land and building costs of wholly-owned properties which are amortized over periods not exceeding 50 years.

	2000	1999
	(thousands of dollars)	
Cost	1,317,684	1,317,684
Less: Accumulated Amortization	314,751	288,847
Net Book Value	1,002,933	1,028,837

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

(b) Federal-Provincial Housing

This investment represents the Corporation's share of land and building costs which are amortized over periods not exceeding 50 years.

	2000	1999
	(thousands of dollars)	
Cost	20,753	20,753
Less: Accumulated Amortization	10,134	9,605
Net Book Value	10,619	11,148

These properties were formerly owned in partnership with CMHC. Under the Social Housing Agreement, effective October 1, 1999, CMHC's ownership interests and financial responsibilities were transferred to the Province. During the year 2000, the properties were managed by the Corporation's local housing authorities.

(c) Rural and Native Housing

This investment represents the Corporation's share of land and building costs which are amortized over periods not exceeding 35 years. Under terms of the Social Housing Agreement, the Ministry will assume administrative responsibility of the partnership portfolio, currently administered by CMHC, by April 1, 2001.

	2000	1999
	(thousands of dollars)	
Rental Properties	26,893	26,465
Lease to Purchase Properties	418	1,429
Net Book Value	27,311	27,894

(d) Student Housing on Leased Land

This investment represents building costs to provide student accommodation on land leased from 9 universities and colleges. These costs are being repaid semi-annually to the Corporation by the educational institutions over a 50 year period. When the costs are fully repaid, titles to the properties will be transferred to the respective institutions. The institutions retain the rental revenues and absorb the property operating expenses. Consequently, the accumulated contributions of the universities and colleges represent their equity in the properties.

	2000	1999
	(thousands of dollars)	
Cost	61,372	62,129
Less: Educational Institutions' Equity	15,186	14,234
Net Book Value	46,186	47,895

(e) Other

	2000	1999
	(thousands of dollars)	
Leased Land, at cost	2,308	2,308
Land Inventory, lower of cost or estimated market value	265	265
Other	134	138
	2,707	2,711

4. MORTGAGES

	2000	1999
	(thousands of dollars)	
Rural and Native Housing Program	20,820	22,242

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

The Rural and Native Housing Program mortgages represent the Corporation's share of the investments which are amortized over periods not exceeding 35 years. The Ministry will assume administrative responsibility for the entire portfolio currently administered by CMHC on April 1, 2001 under the terms of the Social Housing Agreement.

5. NON-PROFIT HOUSING FUND

The Province of Ontario authorized the Corporation to borrow funds from the Canada Pension Plan Investment Fund ("CPP") by the issuance of debentures. The funds borrowed were loaned to non-profit housing corporations and universities and colleges to build, acquire or lease housing units under the Homes Now and Student Residences Programs.

As at December 31, 2000, the fund consisted of:

	2000	1999
	(thousands of dollars)	
Assets		
Cash	3,615	1,581
Loans to Province of Ontario	1,157,212	1,157,212
Mortgages		
Non-Profit Housing Corps.	0	1,760
Universities and Colleges	166,128	166,128
Interest Receivable	33,283	33,282
	1,360,238	1,359,963
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund (CPP) Debentures	1,323,340	1,323,340
Interest Payable	33,283	33,282
Fund Balance	3,615	3,341
	1,360,238	1,359,963

The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures - weighted average rate of 10.3%.

Loans to the Province and mortgages to universities and colleges are repayable over periods not in excess of 20 years. Interest is calculated semi-annually at various rates based on individual loans and mortgages - weighted average rate of 9.0% (1999 - 9.0%). When the interest received from the Province is less than the interest payable on the related CPP borrowings, the Corporation receives an interest adjustment from the Ministry of Municipal Affairs and Housing for the difference.

Details of the transactions related to the fund balance are as follows:

	2000	1999
	(thousands of dollars)	
Balance - Beginning of Year	3,341	3,090
Interest Earned	136,251	136,228
Interest Expense	(135,977)	(135,977)
Balance - End of Year	3,615	3,341

Interest earned in each of 1999 and 2000 includes $102.2 million on loans to the Province of Ontario, $17.1 million from long term mortgages to Universities and Colleges, and $16.9 million from the Ministry of Municipal Affairs and Housing as an interest adjustment for the difference between the interest rates on CPP borrowings and loans to the Province.

6. LONG-TERM DEBT

	2000	1999
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	928,325	952,716
Private Sector Financing	16,324	16,865
	944,649	969,581

The Corporation borrows funds from Canada Mortgage and Housing Corporation and the private sector to finance investments in real property. Such borrowings are repaid in accordance with agreement terms over periods not in excess of 50 years. Interest is payable at various rates based on individual agreements - weighted average rate of 6.9% (1999 - 6.8%).

Principal repayments on the long-term debt are as follows:

	(thousands of dollars)
2001	26,030
2002	27,797
2003	29,681
2004	31,689
2005	33,839
Subsequent to 2005	795,613
	944,649

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2000	1999
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	86,751	54,795
Other	87,672	70,975
	174,423	125,770

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

8. CONTRIBUTED SURPLUS

	2000	1999
	(thousands of dollars)	
Balance - Beginning of Year	184,186	189,851
Provincial Portion of Amortization	(5,140)	(5,665)
Balance - End of Year	179,046	184,186

9. ASSISTED HOUSING

Under the assisted housing program, the Corporation owns rental properties and provides rent-geared-to-income accommodation to households in need. Until January 1, 2001, the management of the properties was carried out through a network of local housing authorities which acted as agents of the Corporation.

10. RENT SUPPLEMENTS

Under the rent supplement programs, the use of rental units is acquired from the private sector and from certain non-profit and cooperative housing groups and then rent-geared-to-income subsidies are provided to households in need. The subsidies represent the difference between the rent guaranteed to the landlord and the tenant portion of the rent.

11. CONTRIBUTIONS TO MUNICIPAL HOUSING

The Corporation provides funding to the Toronto Housing Company Inc. towards operating costs of assisted housing.

12. RURAL AND NATIVE HOUSING

This program, currently administered by Canada Mortgage and Housing Corporation, provides subsidies for rental, lease to purchase and home ownership accommodation to families in rural areas. Rental, lease to purchase and home ownership payments are geared to owners' income.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 2000

13. RELATED PARTY TRANSACTIONS

(a) Pension Plan

The Corporation provides pension benefits for substantially all its permanent crown employees through participation in two multi-employer pension plans, the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Corporation's net contribution to the PSPF and the OPSEU Pension Fund for the year was $4.3 million (1999 - $4.5 million). This amount is included in Assisted Housing - Property Operating Expenses and Rent Supplement in the Statement of Operations.

(b) Administrative Support Services

The Ministry of Municipal Affairs and Housing provides administrative support services to the Corporation. The charge for these services is based on the estimated time spent by Ministry staff on the Corporation's activities. The administrative support services charge included in Assisted Housing - Property Operating Expenses and Rent Supplement amounted to $11.1 million (1999 - $12.3 million).

14. CONTINGENT LIABILITY

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the *National Housing Act* for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded by the Province. Any costs incurred by the Corporation will be reimbursed by the Ministry of Municipal Affairs and Housing.

As of December 31, 2000, there were $5.2 billion of mortgage loans outstanding on provincially-funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

15. DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments reported in the Corporation's financial statements are stated at book values.

The estimated fair values of these financial instruments, as explained below, are based on relevant market prices and information available at December 31, 2000. The fair value estimates are not necessarily indicative of the amounts that the Corporation might receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Since the investments in properties do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of the Corporation as a whole.

The fair value of amounts due from the Province of Ontario, accounts receivable, accounts payable and accrued liabilities, and bank indebtedness approximate their carrying values because of the short term maturity of these instruments.

It is impractical to determine fair values for mortgages and loans made under the Rural and Native Housing program because of the terms and conditions related thereto, including associated subsidies.

The fair value of each of the Corporations long-term debt instruments is based on the amount of future cash flows associated with each instrument discounted using an estimate based on debt instruments with similar characteristics. At December 31, 2000, the aggregate fair value of these instruments was more than their aggregate book values by $67.6 million (1999 - less than their book values by $33.9 million).

Due to the nature of the assets and liabilities comprising the Non-Profit Housing Fund and the terms and conditions related thereto, the Corporation does not have any significant interest rate risk because the Corporation is reimbursed for losses arising from fluctuations in interest rates.

16. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's financial statement presentation.

Ontario Place Corporation

Ontario Place Financial Statements were not finalized at the time of printing. They will be posted on the Ministry of Finance website, http://www.gov.on.ca/FIN/english/budeng.htm. under 2000-2001 Public Accounts of Ontario.

Ontario Realty Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 24, 2001.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function, managed by Management Board Secretariat, independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Linda Gregory

Linda Gregory
Chief Financial Officer & Treasurer (Acting)
May 24, 2001

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2001 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
May 24, 2001

Erik Peters, FCA
Provincial Auditor

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

BALANCE SHEET

As at March 31	2001	2000
ASSETS		
CURRENT ASSETS		
Cash	$ 3,447	$ 8,672
Prepaid expenses	24	89
Accounts receivable	10,997	504
Future recoveries from Management Board Secretariat (note 2)	9,435	18,167
	23,903	27,432
Capital assets (note 3)	435	325
	$ 24,338	$ 27,757
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 8,189	$ 6,139
Provision for severance costs (note 2)	9,435	18,167
Current portion of capital lease obligations (note 4b)	176	-
	17,800	24,306
Capital lease obligations (note 4b)	72	-
RETAINED EARNINGS	6,466	3,451
	$ 24,338	$ 27,757

See Notes to Financial Statements

On behalf of the Board:

Chair:

Director:

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year Ended March 31	2001	2000
REVENUES		
Management fees	$ 10,240	$ 10,868
Expense reimbursement (in lieu of fees)	24,239	24,425
Direct recoverable costs	10,948	13,926
Bank interest and other income	297	368
	$ 45,724	$ 49,587
EXPENDITURES		
Salaries and benefits	$ 22,737	$ 28,716
Direct operating expenditures	17,488	11,117
Administrative expenses (note 6)	1,686	6,923
Depreciation	785	325
Interest on capital lease obligations	13	-
	42,709	47,081
NET OPERATING SURPLUS BEFORE SEVERANCE COSTS	3,015	2,506
Provision for severance costs (note 2)	4,032	(6,155)
Future recoveries from Management Board Secretariat (note 2)	(4,032)	6,155
NET OPERATING SURPLUS	$ 3,015	$ 2,506
RETAINED EARNINGS, BEGINNING OF YEAR	3,451	945
RETAINED EARNINGS, END OF YEAR	$ 6,466	$ 3,451

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

STATEMENT OF CASH FLOWS

Year Ended March 31	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating surplus	$ 3,015	$ 2,506
Adjustments for:		
Depreciation	785	325
Provision for severance costs	(4,032)	6,155
Future recoveries from Management Board Secretariat (note 2)	4,032	(6,155)
	3,800	2,831
Changes in non cash working capital		
Increase in accounts receivable	(10,493)	(504)
Decrease (increase) in prepaid expenses	65	(89)
Increase (decrease) in accounts payable and accrued liabilities	2,050	(3,526)
	(4,578)	(1,288)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(267)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year	(4,700)	(13,688)
Severance recoveries from Management Board Secretariat during year (note 2)	4,700	13,688
Repayment of capital lease obligations	(380)	-
	(380)	0
Net decrease in cash	(5,225)	(1,288)
Cash beginning of year	8,672	9,960
Cash end of year	$ 3,447	$ 8,672

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(amounts in thousands of dollars)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2001

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was incorporated under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province).

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 52.1 million rentable square feet, 44.4 million owned by the Province and 7.7 million leased from the private sector at locations across the Province.

As a Crown Corporation and service organization of the Province the Corporation is exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

(a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. Capital assets are comprised of computer hardware and software and are amortized on a straight line basis over three years.

(c) Employee Benefit Plans

The Corporation provides pensions benefits to its classified full time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund. These plans are accounted for as multiemployer defined benefit pension plans as the Corporation has insufficient information to apply defined benefit plan accounting. The expense represents the Corporation's contributions to the plans during the year.

2. SEVERANCE COSTS

The severance provision provides for staff severance costs associated with the Corporation's re-organization and the contracting out of its facilities and land management services. These severance costs are funded by MBS. The changes in the severance provision are as follows:

March 31	**2001**	**2000**
Severance provision, beginning of year	$ 18,167	$ 25,700
Increase (decrease) provision	(4,032)	6,155
Severance expenditures	(4,700)	(13,688)
Severance provision, end of year	$ 9,435	$ 18,167

3. CAPITAL ASSETS

Capital assets consist of the following:

March 31	**2001**			**2000**
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	$1,240	$1,063	$177	$325
Computer hardware and software under capital lease	628	370	258	-
	$1,868	$1,433	$435	$325

Capital assets were acquired at an aggregate cost of $895 of which $628 were acquired by means of capital leases. Cash payments of $267 were made to purchase capital assets.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

4. LEASE COMMITMENTS

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for government owned space and vehicles, the Corporation is committed to rental payments as follows:

For the year ending March 31

2002	$978
2003	854
	$1,832

b) Capital

The Corporation leases substantially all of its computer equipment and vehicles. Leases which in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2004 together with the balance of the capital lease obligations.

For the year ending March 31

2002	$176
2003	83
2004	6
Total minimum lease payments	265
Less: amount representing interest at 5.7%	17
Balance of obligation	248
Less: current portion	176
Long-term portion	$72

5. CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

6. RELATED PARTY TRANSACTIONS

In addition to the cash reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one capital reserve bank account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2001 the cash balances of the aggregated operating accounts and one capital reserve account were $38,646 (2000 - $23,814) and $56,118 (2000 - $19,128) respectively.

The accounts receivable include $10,854 (2000 - $457) from MBS and other Ministries.

Administrative expenses include: accounting, human resources, audit, information and data processing, legal and communication services purchased from MBS.

The cost of post-retirement non-pension employee benefits were paid by MBS and are not included in the Statement of Operations and Retained Earnings.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

7. PENSION PLAN

The Corporation provides pension benefits for all its full-time classified employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension fund) established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 2001 were $757 (2000 - $1,695) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short term maturity of these instruments.

9. SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of $100,000. For the Corporation, this disclosure for the 2000 calendar year is as follows:

Name	Position	Salary Paid	Taxable Benefits
Bauman, Kenneth A.	Vice President, GTA Facilities Mgt.	$102,061.74	$351.36
Farrugia, Marylee L.	General Counsel & Corp. Secretary	$122,169.20	$297.65
Gregory, Linda S.	Chief Financial Officer	$116,858.00	$312.94
Kessel, Clive D.	VP-ASD/Outsourcing	$100,173.09	$279.12
Leroux, Peter	Sr. Vice President Facility Services	$134,832.09	$385.68
Massiah, Erwin	Vice President, Facility Services (GTA)	$106,171.85	$262.99
Miele, Tony	Chief Executive Officer	$203,460.07	$122.61
Searchfield, Bradley	Sr. Vice President Real Estate & Sales	$122,793.32	$351.36

ONTARIO SECURITIES COMMISSION

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the integrity of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Ontario Securities Commission is committed to full and open disclosure of its operations and maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The preparation of financial statements involves the use of estimates based on management's judgement on transactions which will conclude in future periods.

The Board of Directors ensures that management fulfills its responsibility for financial information and internal control. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The Provincial Auditor's Report, which follows, outlines the scope of the Auditor's examination and opinion.

David A. Brown, Q.C.
Chair and Chief Executive Officer

May 22, 2001

Office of the
Provincial Auditor
of Ontario

Bureau du
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de l'Ontario

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Auditor's Report

To the Ontario Securities Commission

I have audited the balance sheet of the Ontario Securities Commission as at March 31, 2001 and the statements of operations and operating surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Erik Peters

Toronto, Ontario
May 22, 2001

Erik Peters, FCA
Provincial Auditor

ONTARIO SECURITIES COMMISSION
Balance Sheet
As at March 31, 2001

	2001	2000
ASSETS		
CURRENT		
Cash	$ 17,639,973	$ 13,932,907
Accounts receivable	1,528,098	459,817
Prepaid expenses	293,781	191,423
	19,461,852	14,584,147
DESIGNATED SETTLEMENTS (Note 8)	1,544,975	1,445,692
RESERVE FUND ASSETS (Note 3)	20,000,000	15,000,000
CAPITAL ASSETS (Note 5)	9,760,851	7,418,411
	$ 50,767,678	$ 38,448,250
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 10,793,134	$ 10,016,679
Due to Province of Ontario (Note 10(a))	6,806,276	309,684
Current portion of obligation under capital leases (Note 6(b))	28,629	161,720
	17,628,039	10,488,083
NON-CURRENT		
Obligation under capital leases (Note 6(b))	-	41,622
Other long term liabilities (Note 7(b))	236,254	-
	17,864,293	10,529,705
DESIGNATED SETTLEMENTS (Note 8)	1,544,975	1,445,692
SURPLUS		
OPERATING		
General	11,260,166	11,374,609
Reserve (Note 3)	20,000,000	15,000,000
	31,260,166	26,374,609
CONTRIBUTED	98,244	98,244
	31,358,410	26,472,853
	$ 50,767,678	$ 38,448,250

Investor Education Fund (Note 9)

See accompanying notes to Financial Statements.

ON BEHALF OF THE COMMISSION

David A. Brown, Q.C.
Chair

KDAdams
Kerry D. Adams, FCA
Commissioner

ONTARIO SECURITIES COMMISSION

Statement of Operations and Operating Surplus

For the Twelve Months Ended March 31, 2001

	2001	2000
REVENUE		
Fees		
Prospectus filings	$ 48,702,389	$ 46,326,353
Registration	22,321,623	23,866,333
Disclosure filings	8,978,603	8,802,297
Applications for exemptive relief	1,180,332	1,270,017
Recoveries	408,539	63,000
Miscellaneous	164,302	142,605
Investment income	2,048,910	1,909,539
	83,804,698	82,380,144
EXPENSES		
Salaries and benefits (Note 7)	29,847,347	24,757,568
Professional services	5,637,915	7,769,988
Administrative	4,126,609	3,408,421
Occupancy (Note 6(a))	3,050,543	3,050,949
Other	1,053,844	799,888
Amortization	3,035,706	1,512,977
	46,751,964	41,299,791
EXCESS OF REVENUE OVER EXPENSES	37,052,734	41,080,353
OPERATING SURPLUS, BEGINNING OF PERIOD	26,374,609	8,044,748
LESS: Distributions to Province of Ontario (Note 10(a))	32,167,177	22,750,492
OPERATING SURPLUS, END OF PERIOD	$ 31,260,166	$ 26,374,609
Represented by:		
General	$ 11,260,166	$ 11,374,609
Reserve	20,000,000	15,000,000
	$ 31,260,166	$ 26,374,609

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION

Statement of Cash Flows

For the Twelve Months Ended March 31, 2001

	2001	2000
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Excess of revenue over expenses	$ 37,052,734	$ 41,080,353
Adjustments for amortization	3,035,706	1,512,977
	40,088,440	42,593,330
Changes in non-cash working capital:		
Accounts receivable	(1,068,281)	298,631
Prepaid expenses	(102,358)	(70,411)
Due to Province of Ontario	6,496,592	(1,548,377)
Obligation under capital leases	(174,713)	(522,035)
Accounts payable and accrued liabilities	776,455	3,498,859
Other long term obligations	236,254	-
	6,163,949	1,656,667
	46,252,389	44,249,997
Cash flows from financing activities		
Distributions to Province of Ontario	(32,167,177)	(22,750,492)
	(32,167,177)	(22,750,492)
Cash flows from investing activities		
Reserve fund assets	(5,000,000)	(7,500,000)
Purchase of capital assets	(5,378,146)	(5,928,561)
	(10,378,146)	(13,428,561)
NET INCREASE IN CASH POSITION	3,707,066	8,070,944
CASH POSITION, BEGINNING OF PERIOD	13,932,907	5,861,963
CASH POSITION, END OF PERIOD	$ 17,639,973	$ 13,932,907

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2001

1. NATURE OF THE CORPORATION

Effective November 1, 1997, amendments to the *Securities Act* continued the Ontario Securities Commission (the "Commission") as a corporation without share capital. The Commission functions as an independent regulatory agency and administrative tribunal responsible for overseeing the securities industry in Ontario. As a Crown corporation, the Commission is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following acquisition, as follows:

Office furniture and equipment	5 to 10 years
Computer hardware and related applications	2 years
Computer equipment under capital leases	2 years
Leasehold improvements	over term of lease

b) Revenue

Fees are recognized when earned which is normally upon receipt. The amount of revenue to be realized from prospectus filing fees is uncertain. Fees are paid based on estimated prospectus proceeds and refunds are issued, as required, based on actual proceeds in Ontario. As a result, revenue from prospectus filings is recognized net of a provision for expected refunds. At the beginning of each fiscal year the Commission establishes a percentage for the provision for expected refunds based on the experience of the previous three years. The provision is adjusted at year end. Disclosure filing fees are recognized upon receipt of filing.

Recovery of costs of investigations is recognized as revenue upon date of decision unless management determines there is no reasonable assurance as to ultimate collection. When there is no reasonable assurance as to ultimate collection, revenue is recognized when cash is received.

c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

d) Employee Benefit Plans

Commencing April 1, 2000, the Commission prospectively applied the new accounting recommendations for employee future benefits.

The Commission provides pension benefits to its full-time employees through participation in the Public Service Pension Plan. This plan is accounted for as a multiemployer defined benefit pension plan, as the Commission has insufficient information to apply defined benefit plan accounting. The expense represents the Commission's contributions to the Plan during the year.

The Commission also maintains supplementary unfunded pension plans for certain full-time employees. With the application of the new accounting recommendations, the Commission accrued its obligations and the related costs under these supplemental unfunded pension plans. The transitional obligation is being amortized over the average remaining service period of active employees expected to receive benefits under these plans. For purposes of valuation, the actuarial liability and the current service cost is determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. (Refer to Note 7).

3. RESERVE

As part of the approval of its self-funded status, the Commission was allowed to establish a $10.0 million reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures. In April, 1999, the Commission obtained approval to increase the reserve to $20.0 million over a three year period. $7.5 million was retained in each of 1999 and 2000. An additional $5 million was retained in 2001, for a total of $20 million. The accumulated funds, at March 31, 2001, have been invested in short-term and mid-term instruments with the Ontario Financing Authority. Investments are carried at cost, which approximates market value. The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet unanticipated cash flow needs.

4. COMMITMENTS AND CONTINGENCIES

a) The Commission has guaranteed 61% of a total $12 million line of credit from a Canadian bank for the Mutual Fund Dealers Association of Canada (MFDA). The guarantee was signed March 19, 1999 and can be terminated by the Commission at any time. The Alberta Securities Commission and the British Columbia Securities Commission have also guaranteed a specified percentage of the total indebtedness. The MFDA has signed an agreement which requires it to use the funds only in accordance with the budget and business plan as approved by each of the Commissions, and also commits the MFDA to repay its loan by the end of the seventh year. As at March 31, 2001, the MFDA has drawn $7,923,000 (2000 - $4,670,000) on this line of credit. Interest is charged at prime plus 0.50% per annum.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2001

b) The Commission is involved in various legal actions arising out of the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2001 Net Book Value	2000 Net Book Value
Office furniture	$2,460,111	$ 315,762	$ 2,144,349	$ 1,353,008
Office equipment	276,484	26,800	249,684	63,261
Computer hardware and related applications	5,697,000	3,011,263	2,685,737	2,811,256
Computer equipment under capital leases	831,725	831,725	-	415,863
Leasehold improvements	5,194,025	512,944	4,681,081	2,775,023
	$ 14,459,345	$ 4,698,494	$ 9,760,851	$ 7,418,411

6. LEASE OBLIGATIONS

a) Operating

The Commission is committed to operating lease payments for the next 5 years as follows:

2002	$3,163,450
2003	$3,090,752
2004	$2,637,522
2005	$2,538,443
2006	$1,083,346

The commitment on 11,173 square feet of office space currently occupied by the Commission expires on May 31, 2003, at which time the Commission has the option to renew for an additional two years and three months at the prevailing market rate.

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2001

b) Capital

All capital leases expire on or before December 31, 2001. As at March 31, 2001, total obligation under capital leases amounted to $28,629 (2000 - $203,342) which is due within one year (2000 - $161,720). Interest owing on capital leases amounts to $711 (2000 - $9,833).

7. PENSION PLANS

a) The Commission's contribution to the Public Service Pension Plan for the year ended March 31, 2001 was $1,004,031 (2000 - $1,151,556) and is included in salaries and benefits.

b) The unfunded supplemental pension plans had an accrued benefit obligation of $408,445 at March 31, 2001. The Commission's related expense for the year was $236,254 and is included in salaries and benefits. No benefits were paid during the year. The average remaining service period of the active employees covered by these plans ranges from 2.92 to 3.78 years.

The significant actuarial assumptions adopted at March 31, 2001 are:

Discount rate	6.75%
Rate of Compensation Increase	0.0%

8. DESIGNATED SETTLEMENTS

The Commission has reached a number of settlement agreements arising from enforcement proceedings where monies from these settlements are received or receivable by the Commission to be set aside and allocated to such third parties as the Commission may determine, to be used for purposes that will benefit investors in Ontario. The accumulated funds are held in a segregated bank account. As at March 31, 2001, the accumulated balance is determined as follows:

	2001	2000
Opening balance	$1,445,692	$1,100,000
Settlements	3,050,000	359,056
Interest	170,977	6,636
Payments		
Initiatives	(121,694)	(20,000)
Transfer to the Fund	(3,000,000)	
Closing Balance	$1,544,975	$1,445,692
Represented by:		
Cash	$1,528,157	$895,692
Receivables	16,818	550,000
	$1,544,975	$1,445,692

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements
March 31, 2001

During fiscal 2001, the Commission established the Investor Education Fund (the Fund) as described in Note 9. The balance of $1,544,975 is due to the Fund.

9. INVESTOR EDUCATION FUND

a) The Fund was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The Fund is independently managed by its Board of Directors to support research and develop programs and partnerships which promote investor education. The Commission oversees the Fund as the sole voting member. The Fund is exempt from income taxes.

The Fund has not been consolidated in the Commission's financial statements. Financial statements of the Fund are available on request. Financial summaries of this unconsolidated entity as at March 31, 2001 and for the period August 3, 2000 to March 31, 2001 are as follows:

INVESTOR EDUCATION FUND

	2001
Financial Position	
Total assets	$4,545,757
Total liabilities	$89,038
Total Net assets	4,456,719
	$4,545,757
Results of Operations	
Total contributions and interest income	$4,545,757
Total expenses	89,038
Excess of revenue over expenses	$4,456,719
Cash flows	
Cash from operating activities	$3,000,000
Increase in cash	$3,000,000

ONTARIO SECURITIES COMMISSION
Notes to the Financial Statements
March 31, 2001

b) In the normal course of operations, the Commission entered into transactions with the Fund as follows:

i) The Board of the Commission authorized a transfer of $4,544,975 of the Commission's Designated Settlements to the Fund. As at March 31, 2001, $1,544,975 remained to be paid.

ii) The Commission entered into a Management Services agreement with the Fund for the provision of administrative and management services, at cost.

For the period ended March 31, 2001, the Commission incurred costs totalling $89,038 for services related to the Fund. The total cost of these services have been charged back to the Fund and are due to the Commission as of March 31, 2001.

10. TRANSACTIONS WITH PROVINCE OF ONTARIO

In the course of normal operations, the Commission entered into transactions with the Province of Ontario as follows:

a) The *Securities Act* states that when ordered to do so by the Minister of Finance, the Commission shall remit to the Province of Ontario such surplus funds as determined by the Minister. In accordance with this provision, the Minister has requested the Commission to remit fee revenues which are in excess of its operating requirements. The Commission includes fixed asset funding in its operating requirements.

b) The Commission has entered into a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 Bank.

c) Costs of post-retirement non-pension employee benefits have been paid by the Management Board Secretariat and are not included in the Statement of Operations and Operating Surplus.

11. ESTABLISHING A SINGLE FINANCIAL SERVICES REGULATOR

In the May 2, 2000 Budget, the Minister of Finance announced that the Ontario Securities Commission and the Financial Services Commission of Ontario would be merged into a single agency that would provide regulation of the capital markets and financial services sectors.

Legislation is required in order to create the proposed new organization and specify its regulatory responsibilities and powers. Draft legislation supporting this initiative was released for comment by the Ministry of Finance in April 2001.

PSSD

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Cal Year	Sector	Employer	Surname	Given Name	Position	Salary Paid	Taxable Benefits
2000	Agencies	Ontario Securities Commission	BECK	JOAN	Senior Legal Counsel	$108,132.09	$310.84
2000	Agencies	Ontario Securities Commission	BERTOIA	JULIE	Senior Accountant	$120,205.92	$278.91
2000	Agencies	Ontario Securities Commission	BLUMBERGER	EREZ	Legal Counsel	$101,206.21	$552.66
2000	Agencies	Ontario Securities Commission	BRIDGE	MARRIANNE	Senior Accountant	$124,343.32	$306.99
2000	Agencies	Ontario Securities Commission	BROWN	DAVID	Chair	$540,048.69	$11,331.36
2000	Agencies	Ontario Securities Commission	BUTLER	BRIAN	Manager, Investigations	$148,414.12	$548.91
2000	Agencies	Ontario Securities Commission	BYRNES	ROBERT	Deputy Director, Information Technology	$150,600.19	$1,037.46
2000	Agencies	Ontario Securities Commission	CARCHRAE	JOHN	Chief Accountant	$159,587.23	$387.24
2000	Agencies	Ontario Securities Commission	CORBETT	HUGH	Litigation Counsel	$104,230.71	$958.27
2000	Agencies	Ontario Securities Commission	COWDERY	REBECCA	Manager, Investment Funds	$171,125.72	$368.57
2000	Agencies	Ontario Securities Commission	DASIL	MERILYN	Senior Legal Counsel	$109,448.64	$279.83
2000	Agencies	Ontario Securities Commission	DAY	ROBERT	Manager, Planning and Reporting	$116,380.63	$265.43
2000	Agencies	Ontario Securities Commission	DE VERTEUIL	MICHAEL	Senior Forensic Accountant	$118,417.87	$420.41
2000	Agencies	Ontario Securities Commission	DEMPSEY	PAUL	Assistant Manager, Investment Funds	$135,145.07	$307.21
2000	Agencies	Ontario Securities Commission	DILIETO	ROSSANA	Legal Counsel	$105,058.76	$238.83
2000	Agencies	Ontario Securities Commission	DOWLING	SANDRA	Senior Accountant	$118,570.78	$316.56
2000	Agencies	Ontario Securities Commission	DUBLIN	JULIA	Senior Legal Counsel	$142,878.67	$554.99
2000	Agencies	Ontario Securities Commission	ELLIOT	JENNIFER	Legal Counsel	$122,398.81	$273.42
2000	Agencies	Ontario Securities Commission	ENRIGHT	LISA	Senior Accountant	$106,592.14	$306.56
2000	Agencies	Ontario Securities Commission	FALLONE	JOANNA	Manager, Case Assessment	$151,122.91	$358.87
2000	Agencies	Ontario Securities Commission	FERGUSSON	ROSEMARY	Senior Accountant	$131,576.76	$625.04
2000	Agencies	Ontario Securities Commission	FERRARI	ANTONIETTA	Manager, Compliance	$135,499.04	$352.27
2000	Agencies	Ontario Securities Commission	FINLAY	KATHLEEN	Manager, Project Office	$108,971.77	$263.61
2000	Agencies	Ontario Securities Commission	FORSTER	CHRISTINA	Senior Accountant	$122,224.40	$370.61
2000	Agencies	Ontario Securities Commission	FRANKEN	HEIDI	Assistant Manager, Continuous Disclosure	$120,267.95	$356.21
2000	Agencies	Ontario Securities Commission	GAZZARD	WILLIAM	Director, Capital Markets	$180,856.58	$420.25
2000	Agencies	Ontario Securities Commission	GELLER	JOHN	Vice Chair	$406,821.39	$6,954.00
2000	Agencies	Ontario Securities Commission	GERHART	MARSHA	Senior Legal Counsel	$131,825.13	$321.72
2000	Agencies	Ontario Securities Commission	GREENGLASS	SUSAN	Legal Counsel	$107,499.48	$300.60
2000	Agencies	Ontario Securities Commission	GUNN	GEORGE	Manager, Surveillance	$103,814.37	$943.31
2000	Agencies	Ontario Securities Commission	HOLMES	JANET	Senior Legal Counsel	$129,647.54	$329.25
2000	Agencies	Ontario Securities Commission	HRYNIOWSKI	ELLEN	Manager, Human Resources	$117,763.60	$381.23
2000	Agencies	Ontario Securities Commission	HUBLEY	MICHAEL	Assistant Manager, Surveillance	$103,182.68	$1,011.63
2000	Agencies	Ontario Securities Commission	HUGHES	JOHN	Manager, Continuous Disclosure	$131,241.06	$307.48
2000	Agencies	Ontario Securities Commission	KOHL	ROBERT	Senior Legal Counsel	$142,409.58	$342.14
2000	Agencies	Ontario Securities Commission	KOOR	ELLE	Senior Accountant	$142,158.79	$318.44
2000	Agencies	Ontario Securities Commission	LIU	WINFIELD	Senior Legal Counsel	$136,856.60	$548.22
2000	Agencies	Ontario Securities Commission	LJUBIC	GREGORY	Senior Investigation Counsel	$120,441.40	$668.95
2000	Agencies	Ontario Securities Commission	MACFARLANE	CHARLES	Executive Director	$360,930.77	$6,146.22
2000	Agencies	Ontario Securities Commission	MACLAREN	TANIS	Head-Office of International Affairs	$158,025.19	$366.04
2000	Agencies	Ontario Securities Commission	MARTIN-SIDEY	DONNA	Legal Counsel	$114,405.15	$280.51
2000	Agencies	Ontario Securities Commission	MCCALLUM	SUSAN	Senior Legal Counsel	$107,961.32	$271.81
2000	Agencies	Ontario Securities Commission	MOORE	TERRY	Legal Counsel	$107,585.80	$286.22
2000	Agencies	Ontario Securities Commission	MOSELEY	TIMOTHY	Manager, Litigation	$165,432.52	$371.78
2000	Agencies	Ontario Securities Commission	NASTER	JAY	Special Counsel	$216,176.97	$356.42
2000	Agencies	Ontario Securities Commission	PARE	MAXIME	Senior Legal Counsel	$135,094.82	$513.83
2000	Agencies	Ontario Securities Commission	PAUL	MARGO	Manager, Corporate Finance	$152,655.96	$349.74
2000	Agencies	Ontario Securities Commission	PAVALOW	RANDEE	Manager, Market Regulation	$179,507.48	$510.51
2000	Agencies	Ontario Securities Commission	PETROFF	THOMAS	Senior Market Analyst	$104,039.77	$133.85
2000	Agencies	Ontario Securities Commission	PILIPAVICIUS	RIMA	Senior Forensic Accountant	$118,102.29	$280.95
2000	Agencies	Ontario Securities Commission	RAMSAY	ANNE	Senior Accountant	$114,491.16	$250.63
2000	Agencies	Ontario Securities Commission	SANKAR	LEVI	Legal Counsel	$106,218.39	$235.80
2000	Agencies	Ontario Securities Commission	SMITH	IAN	Litigation Counsel	$132,331.19	$298.60

PSSD

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Cal Year	Sector	Employer	Surname	Given Name	Position	Salary Paid	Taxable Benefits
2000	Agencies	Ontario Securities Commission	SODEN	KATHRYN	Director, Corporate Finance	$159,071.62	$557.68
2000	Agencies	Ontario Securities Commission	SPENCER	MARY	Director, Corporate Services	$174,490.91	$402.79
2000	Agencies	Ontario Securities Commission	STEVENSON	JOHN	Secretary to the Commission	$140,006.87	$379.14
2000	Agencies	Ontario Securities Commission	SUPERINA	JOHANNA	Senior Litigation Counsel	$131,191.06	$308.29
2000	Agencies	Ontario Securities Commission	SWITZER	FRANK	Director, Communications	$128,347.09	$291.88
2000	Agencies	Ontario Securities Commission	TEDESCO	FELICIA	Senior Accountant	$102,374.09	$260.95
2000	Agencies	Ontario Securities Commission	TOO	BYRON	Manager, Application Services	$106,706.85	$250.28
2000	Agencies	Ontario Securities Commission	TSATSOS	IRENE	Senior Accountant	$100,178.63	$224.96
2000	Agencies	Ontario Securities Commission	VRANIC	IVA	Manager, Corporate Finance	$138,664.11	$702.01
2000	Agencies	Ontario Securities Commission	WATSON	MICHAEL	Director, Enforcement	$210,291.60	$472.86
2000	Agencies	Ontario Securities Commission	WETSTON	HOWARD	Vice Chair	$367,298.75	$8,002.02
2000	Agencies	Ontario Securities Commission	WHILER	RICK	Senior Accountant	$128,888.44	$309.71
2000	Agencies	Ontario Securities Commission	WOLBURGH-JENAH	SUSAN	General Counsel	$209,481.51	$403.04
2000	Agencies	Ontario Securities Commission	WOOTTON	KATE	Litigation Counsel	$120,896.69	$286.16

I certify that the information provided on this record is correct in accordance with the *Public Sector Salary Disclosure Act, 1996*
This record has been approved by:

David Brown
Name

Chair
Position Title

(416) 593-8203
Phone Number

March 12, 2001
Date

Prepared under the *Public Sector Salary Disclosure Act, 1996*

Ontario Trillium Foundation

Management's Responsibility For Financial Information

The accompanying financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by Ernst & Young LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.

	APashley
L. Robin Cardozo, FCA Chief Executive Officer	Anne Pashley Vice-President, Finance and Administration

AUDITORS' REPORT

To the Board of Directors of the
Ontario Trillium Foundation

We have audited the balance sheet of the **Ontario Trillium Foundation** as at March 31, 2001 and the statements of operations and changes in accumulated net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Toronto, Canada,
May 11, 2001.

Chartered Accountants

Ontario Trillium Foundation

BALANCE SHEET

As at March 31

	2001 $	2000 $
ASSETS		
Cash	**1,063,302**	864,198
Accrued interest and other	**3,778,757**	2,413,491
Investments *[note 3]*	**117,445,189**	79,839,766
Capital assets, net *[note 4]*	**1,340,913**	1,436,053
	123,628,161	84,553,508
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	**927,749**	887,877
Grants payable *[note 6[b]]*	**100,820,370**	60,600,413
Deferred contributions *[note 6[a]]*	**12,838,520**	14,227,317
Total liabilities	**114,586,639**	75,715,607
Net assets *[note 7]*		
Invested in capital assets	**1,340,913**	1,436,053
Unrestricted assets	**7,700,609**	7,401,848
Accumulated net assets	**9,041,522**	8,837,901
	123,628,161	84,553,508

See accompanying notes

On behalf of the Board:

Robert G. Power
Chair

Jean-François Gratton
Treasurer

Ontario Trillium Foundation

STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED NET ASSETS

Year ended March 31

	2001 $	2000 $
REVENUE		
Ministry of Tourism, Culture and Recreation funding *[note 5]*	**101,588,563**	93,747,827
Grants rescinded or recovered	**1,158,242**	1,175,705
Interest income	**8,501,201**	5,095,111
	111,248,006	100,018,643
EXPENSES		
Grants pledged *[note 6]*	**101,712,321**	84,529,100
Current operations	**9,147,779**	7,601,736
Non-grant contributions to the community *[note 8]*	**184,285**	98,828
	111,044,385	92,229,664
Excess of revenue over expenses for the year	**203,621**	7,788,979
Accumulated net assets, beginning of year	**8,837,901**	1,048,922
Accumulated net assets, end of year	**9,041,522**	8,837,901

See accompanying notes

Ontario Trillium Foundation

STATEMENT OF CASH FLOWS

Year ended March 31

	2001 $	2000 $
GRANTING AND OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**203,621**	7,788,979
Add non-cash item		
Amortization of capital assets	**504,098**	470,578
Net change in non-cash working capital balances related to operations	**37,505,766**	54,022,422
Cash provided by granting and operating activities	**38,213,485**	62,281,979
INVESTING ACTIVITIES		
Net increase in investments	**(37,605,423)**	(61,547,917)
Purchase of capital assets	**(408,958)**	(432,124)
Cash used in investing activities	**(38,014,381)**	(61,980,041)
Net increase in cash during the year	**199,104**	301,938
Cash, beginning of year	**864,198**	562,260
Cash, end of year	**1,063,302**	864,198

See accompanying notes

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

1. PURPOSE

The Ontario Trillium Foundation ["OTF"], an agency of the Ministry of Tourism, Culture and Recreation [the "Ministry"], is financially supported by the government of Ontario. OTF began operations as an arm's length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to work with others to make strategic investments to build healthy, sustainable and caring communities in Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the accounting policies summarized below:

Revenue recognition

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are recognized.

Investments

Short-term investments, treasury bills, and bankers' acceptances are recorded at cost. Bonds are recorded at amortized cost.

Grants

Grants are recorded as expenses in the year that the Board of Directors approves the grant.

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	1 year
Leasehold improvements	over term of the lease

3. INVESTMENTS

Investments consist of the following:

	2001		2000	
	Cost $	Market value $	Cost $	Market value $
Treasury bills	**102,955,803**	**102,955,803**	60,259,187	60,259,187
Bankers' acceptances	**5,291,887**	**5,291,887**	15,580,580	15,580,580
Ontario Hydro bond, 5.97% due April 16, 2002	**5,197,500**	**5,058,970**	—	—
Government of Canada, 7.05% due May 1, 2001	**3,999,999**	**4,005,963**	3,999,999	3,984,257
	117,445,189	**117,312,623**	79,839,766	79,824,024

The treasury bills and bankers' acceptances are due within the next twelve months and bear interest from 4.61% to 6.40% [2000 – 4.90% to 6.03%]

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

4. CAPITAL ASSETS

Capital assets consist of the following:

	2001			**2000**		
	Cost **$**	**Accumulated amortization** **$**	**Net book value** **$**	**Cost** **$**	**Accumulated amortization** **$**	**Net book value** **$**
Furniture and fixtures	**626,423**	**315,107**	**311,316**	557,104	196,888	360,216
Computer hardware	**833,413**	**575,792**	**257,621**	615,894	480,668	135,226
Computer software	**461,244**	**437,996**	**23,248**	414,745	256,384	158,361
Leasehold improvements	**1,073,520**	**324,792**	**748,728**	997,899	215,649	782,250
	2,994,600	**1,653,687**	**1,340,913**	2,585,642	1,149,589	1,436,053

5. GOVERNMENT FUNDING

Effective April 1, 1999, OTF began to receive funding from the Ministry for a new mandate to be carried out through two programs: the Community and Province-wide Grants Programs. During the fiscal year ended March 31, 2001, OTF received $100 million of funding and must use $100 million less operating expenses not covered by investment income for the two grant programs. Funding received in the current year has been recorded in the continuity of deferred contributions *[note 6[a]]*.

During the fiscal year ended March 31, 2000, OTF received $100 million of funding. Of this amount, $90 million had to be used for the two grant programs and is recorded as funding received in the continuity of deferred contributions *[note 6[a]]*. The balance of $10 million became available to cover other expenses and was recorded as income in the statement of operations and changes in accumulated net assets.

Since April 1996, OTF has received funding from the Ministry for Partnership Programs which include the Community Connections Program, Access Fund and Community Linkages Program. For the fiscal year ended March 31, 2000, OTF received $3,500,000 in connection with Partnership Programs. This amount was recorded as funding received in the continuity of deferred contributions *[note 6[a]]*. No funding was received for these programs in fiscal 2001.

The government funding is subject to Memoranda of Understanding with the Ministry that define how the funds must be invested and distributed.

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

6. DEFERRED CONTRIBUTIONS AND GRANTS PAYABLE

[a] Deferred contributions represent funding received from the Ministry that has not yet been pledged as grants. The continuity of deferred contributions is as follows:

	2001		
	Community and Province-wide Grants Programs $	Partnership Programs $	Total $
Deferred contributions, beginning of year	9,650,525	4,576,792	14,227,317
Activities during the year			
Funding received *[note 5]*	100,000,000	—	100,000,000
Interest income recorded as revenue	8,349,870	151,331	8,501,201
Grants pledged	(98,973,921)	(2,738,400)	(101,712,321)
Current operations	(8,996,448)	(151,331)	(9,147,779)
Grants rescinded or recovered related to grants approved after March 31, 1999	427,475	342,861	770,336
Interest income available for use in future years	—	199,766	199,766
	806,976	(2,195,773)	(1,388,797)
Deferred contributions, end of year	10,457,501	2,381,019	12,838,520

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

	2000		
	Community and Province-wide Grants Programs $	**Partnership Programs** $	**Total** $
Deferred contributions, beginning of year	—	4,475,144	4,475,144
Activities during the year			
Funding received *[note 5]*	90,000,000	3,500,000	93,500,000
Grants pledged	(80,502,000)	(3,548,400)	(84,050,400)
Grants rescinded or recovered related to grants approved after March 31, 1999	152,525	—	152,525
Grants rescinded or recovered	—	150,048	150,048
	9,650,525	101,648	9,752,173
Deferred contributions, end of year	9,650,525	4,576,792	14,227,317

[b] Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2001 $	**2000** $
Grants pledged		
Community and Province-wide Grants Programs	**98,973,921**	80,502,000
Partnership Programs	**2,738,400**	3,548,400
Other	—	478,700
	101,712,321	84,529,100
Grants rescinded	**(1,092,900)**	(1,120,300)
Grants paid	**(60,399,464)**	(37,729,121)
Net change in grants payable	**40,219,957**	45,679,679
Grants payable, beginning of year	**60,600,413**	14,920,734
Grants payable, end of year	**100,820,370**	60,600,413

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

	$
2002	59,940,770
2003	26,964,200
2004	10,934,300
2005	2,325,200
2006	655,900
	100,820,370

7. NET ASSETS

The changes in the components of the net assets are as follows:

	2001			2000
	Unrestricted net assets $	Invested in capital assets $	Total $	Total $
Net assets, beginning of year	**7,401,848**	**1,436,053**	**8,837,901**	1,048,922
Excess (deficiency) of revenue over expenses for the year	**707,719**	**(504,098)**	**203,621**	7,788,979
Purchase of capital assets	**(408,958)**	**408,958**	—	—
Net assets, end of year	**7,700,609**	**1,340,913**	**9,041,522**	8,837,901

8. NON-GRANT CONTRIBUTIONS TO THE COMMUNITY

Non-grant contributions to the community are charitable activities other than grants, such as partnerships with other organizations, projects initiated by OTF and technical assistance to community organizations. Costs shown as other non-grant charitable contributions represent expenses allocated from current operations.

Ontario Trillium Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2001

The components of the non-grant contributions to the community are as follows:

	2001 $	2000 $
Research Project - Community Profiles	**9,702**	50,000
Media Relations Toolkit	**47,313**	—
Other non-grant charitable contributions	**127,270**	48,828
	184,285	98,828

9. COMMITMENTS

[a] OTF has provided a $240,000 letter of credit to its landlord to support its obligations under the lease at its premises. No amount has been drawn as at March 31, 2001.

[b] Future minimum annual rental payments for premises under operating leases to 2008 are as follows:

	$
2002	196,486
2003	175,366
2004	254,981
2005	245,113
2006	245,113
2007 and thereafter	469,800

Ontario Trillium Foundation employees paid $100,000 or more in calendar year 2000 (unaudited)

Name	Position	Salary Paid	Taxable Benefits
Robin Cardozo	Chief Executive Officer	$152,425	$2,867

Prepared under the Public Sector Salary Disclosure Act, 1996

rom finances

auditors' report to the trustees of the royal ontario museum

We have audited the balance sheet of The Royal Ontario Museum as at June 30, 2000 and the statements of operations, changes in net deficit and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at June 30, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Toronto, Canada, August 4, 2000

Ernst & Young

Chartered Accountants

the royal ontario museum

[Incorporated by Special Act of the Ontario Legislature as a corporation without share capital]

balance sheet as at june 30

	2000	1999
	[in thousands of dollars]	
assets		
Current		
Cash and short-term investments [note 3]	2,313	731
Due from The Royal Ontario Museum Foundation [note 15]	1,055	260
Other accounts receivable	1,540	1,120
Inventories	565	984
Deferred exhibition costs and other assets	570	346
Total current assets	6,043	3,441
Other investments [note 3]	805	1,955
Other assets	319	475
Deferred pension costs [note 16]	2,749	2,538
Capital assets, net [note 4]	54,712	57,058
	64,628	65,467
liabilities and net deficit		
Current		
Accounts payable and accrued liabilities	5,071	3,475
Deferred revenue [note 6]	4,407	4,090
	9,478	7,565
Deferred capital contributions [note 7]	55,169	58,730
Net deficit		
Operating deficit [note 8]	(1,959)	(2,343)
Invested in capital assets [note 9]	348	283
Board restricted [note 10]	1,592	1,232
	(19)	(828)
	64,628	65,467

[See accompanying notes]

On behalf of the Board:

Steve Lowden, *Trustee*

Harriet Walker, *Trustee*

the royal ontario museum

statement of operations

year ended june 30

	2000	1999
	[see schedule]	
	[in thousands of dollars]	
revenues		
Grants [note 11]	25,076	22,332
Admission fees	4,977	2,676
Museum programs	1,973	1,441
Ancillary services	10,010	8,197
Investment income [note 12]	71	39
Donations - Gifts in kind	2,629	1,296
Amortization of deferred capital contributions	4,021	3,879
Other	1,258	1,219
Total revenues	50,015	41,079
expenses		
Curatorial and collection management	9,956	9,488
Building, security and visitor services	8,370	6,412
Ancillary services	7,707	6,749
General and administration	3,564	3,305
Education and public programs	2,430	2,239
Library and information services	2,138	1,851
Exhibition and gallery development	2,179	1,224
Marketing and public relations	1,515	1,444
Temporary exhibitions	3,428	1,482
Artifacts and specimens		
- Gifts in kind	2,629	1,296
- Purchased	1,116	1,416
Amortization of capital assets	4,174	3,962
Total expenses [note 13]	49,206	40,868
Excess of revenues over expenses	809	211

[see accompanying notes]

statement of changes in net deficit

year ended june 30

	2000				1999
	Operating deficit [note 8]	Invested in capital assets [note 9]	Board restricted [note 10]	Total	Total
	[in thousands of dollars]				
Balance, beginning of year	(2,343)	283	1,232	(828)	(1,039)
Excess of revenues over expenses	475		334	809	211
Net change in invested in capital assets (note 9)	(91)	65	26	0	
Balance, end of year	(1,959)	348	1,592	(19)	(828)

[See accompanying notes]

the royal ontario museum

statement of cash flows

year ended june 30

	2000	1999
	(in thousands of dollars)	
operating activities		
excess of revenues over expenses	809	211
Add (deduct) non-cash items		
Pension income	(211)	(403)
Amortization of capital assets	4,174	3,962
Deferred capital contributions recognized as income	(833)	0
Amortization of deferred capital contributions	(4,021)	(3,879)
	(82)	(109)
Changes in non-cash working capital balances related to operations		
Due from The Royal Ontario Museum Foundation	(795)	(260)
Other accounts receivable	(420)	(134)
Inventories	419	(188)
Deferred exhibition costs and other assets	(224)	728
Accounts payable and accrued liabilities	1,596	(1,443)
Deferred revenue	317	211
	893	(1,086)
Cash provided by (used in) operating activities	811	(1,195)
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(1,828)	(4,336)
Sale of other investments, net	1,150	3,130
Decrease in other assets	156	
Contributions for capital assets	1,293	1,176
Cash provided by (used in) investing and financing activities	771	(30)
Net increase (decrease) in cash and short-term investments	1,582	(1,225)
Cash and short-term investments, beginning of year	731	1,956
Cash and short-term investments, end of year	2,313	731

See accompanying notes

notes to financial statements

june 30, 2000

1. General

The Royal Ontario Museum (the "Museum") is a scheduled agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied within the framework of the significant accounting policies summarized below:

revenue recognition

The Museum follows the deferral method of accounting for contributions, that include donations and government grants. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for capital assets are deferred and amortized over the life of the related capital asset. Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

investments

Investments are recorded at market value. Investment income consists of interest, dividends, realized gains (losses) and the net change in unrealized gains and losses.

inventories

Inventories, which consist primarily of gift shop items held for sale, publications and supplies, are stated at the lower of average cost and net realizable value.

deferred exhibitions and other costs

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the period of the exhibitions to which they relate.

deferred pension costs

Pension income (expense) is determined on an actuarial basis in accordance with generally accepted accounting principles. Pension costs for current services are charged to income during the year in which the services have been rendered. The cost of past services as well as experience gains or losses which have not yet been recognized in income are amortized on a straight-line basis over a period of 16 years.

other post-employment benefit obligations

Post-employment benefits for extended health and dental care are accounted for on a cash basis.

the royal ontario museum

capital assets

Land is carried at cost. Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Major capital projects	5 to 10 years
Furniture and equipment	3 to 10 years

artifacts and specimens

The value of artifacts and specimens has been excluded from the balance sheet. Gifted artifacts and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased artifacts and specimens is expensed.

contributed materials and services

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in the financial statements.

3. Investments

Investments, which are recorded at market value and approximate cost, consist of the following:

	2000	1999
	(in thousands of dollars)	
Cash and short-term investments	2,832	2,470
Canadian bonds	255	191
Canadian preferred shares	24	24
Accrued interest	7	1
	3,118	2,686
Less amounts recognized as other investments	805	1,955
Cash and short-term investments	2,313	731

The amount of assets classified as non-current represents the assets held for unspent deferred capital contributions [illegible]

4. Capital assets

(a) Capital assets consist of the following:

	2000		1999	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
		(in thousands of dollars)		
Building	54,912	25,996	54,912	24,619
Galleries	36,637	13,219	35,336	11,377
Major capital projects	9,597	7,567	9,288	6,765
Furniture and equipment	918	570	709	426
	102,064	47,352	100,245	43,187
Accumulated amortization	47,352		43,187	
Net book value	54,712		57,058	

[b] The change in net book value of capital assets is due to the following:

	2000	1999
	[in thousands of dollars]	
Balance, beginning of year	57,058	56,684
Purchase of capital assets funded by restricted capital contributions	1,610	4,306
Purchase of capital assets funded internally	218	30
Amortization of capital assets	(4,174)	(3,962)
Balance, end of year	54,712	57,058

5. Artifacts and specimens

As at June 30, 2000, the collection consisted of approximately 5,950,000 artifacts and specimens. During the year the Museum added approximately 66,000 objects to its collections through the acquisition and purchase of artifacts.

6. Deferred revenue

Deferred revenue represents grants from government, corporations and The Royal Ontario Museum Foundation (the "Foundation") related primarily to next year's operations.

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of capital contributions is recorded as revenue in the Statement of Operations. The changes in the deferred capital contributions balance are as follows:

	2000	1999
	[in thousands of dollars]	
Balance, beginning of year	58,730	61,433
Amortization of deferred capital contributions	(4,021)	(3,879)
Recognized as grant revenue [note 11]	(833)	
Investment income [note 17]	0	197
Restricted contributions received for capital asset purchases	1,293	979
Balance, end of year	55,169	58,730

At June 30, 2000, deferred capital contributions of $805,000 (1999 - $1,955,000) were received but not spent.

8. Operating deficit

The operating deficit of $1,959,000 (1999 -$2,343,000) resulted from the corporate restructuring that took place during 1996 and 1998. It is the Museum's intention to eliminate this deficit by operating with a planned excess of revenues over expenses for the next four years.

9. Net assets invested in capital assets

[a] The net assets invested in capital assets consist of the following:

	2000	1999
	[in thousands of dollars]	
Capital assets, net	54,712	57,058
Less amounts financed by deferred capital contributions	54,364	56,775
Balance, end of year	348	283

[b] The net change in net assets invested in capital assets is calculated as follows:

	2000	1999
	[in thousands of dollars]	
Purchase of capital assets funded internally	(218)	(30)
Amortization of capital assets	4,174	3,962
Amortization of deferred capital contributions	(4,021)	(3,879)
Net change in net assets invested in capital assets	(65)	53

10. Board restricted net assets

A summary of board restricted net assets at June 30 is as follows:

	2000	1999
	(in thousands of dollars)	
Museum restricted reserves	647	495
Departmental reserves	945	737
	1.592	1.232

Museum restricted reserves represent funds reserved in accordance with the directives issued by the Board of Trustees or by Museum management.

Departmental reserves represent funds received from cross appointment teaching and other activities of staff and held in accordance with Museum policy to assist in the financing of departmental activities.

11. Grants

Grants consist of the following:

	2000	1999
	(in thousands of dollars)	
Province of Ontario -operating	18,708	18,708
-other	1,218	130
Government of Canada	207	280
The Royal Ontario Museum Foundation (note 15)	4,227	2,957
Corporations	716	192
Other	0	65
	25,076	22,332

In prior years, a grant received from the Province of Ontario for capital purposes was recorded in deferred capital contributions. During the year, the Museum received approval from the Province to use these funds for general purposes and, therefore, $758.000 has been recorded in other Province of Ontario grants. The Board of Trustees directed that these funds be used to support the implementation of the Museum's Master Plan project. As at year end, Board restricted net assets includes $337.000 related to this project.

12. Investment income

Investment income earned during the year is recorded as follows:

	2000	1999
	(in thousands of dollars)	
Total investment income	71	236
Recorded in deferred capital contributions (note 7)	0	197
Recorded as revenue in the Statement of Operations	71	39

13. Expenses

Expenses are reported in the Statement of Operations on a functional basis. Expenses by category comprise:

	2000	1999
	(in thousands of dollars)	
Salaries and benefits	23,260	20,355
Purchased goods and services	25,946	20,513
	49,206	40,868

14. Museum volunteers

During the year, Museum volunteers contributed approximately 54,000 hours in support of the Museum. Their activities include guided gallery tours and a variety of programs that enrich the visitor's experience at the Museum; world and local travel packages that promote the Museum's image in Ontario and throughout the world; and many other support activities.

In addition, the net income generated by the Museum volunteers and the ROM Reproductions Association, an independent volunteer organization affiliated with the Museum, goes directly to support the Museum's activities. During the year ended June 30, 2000, the Museum volunteers contributed $80,000 (1999 - $100,000) to the Foundation for acquisition and research projects at the Museum and for the upgrade of the ROM Theatre. The ROM Reproductions Association contributed $75,000 (1999 - $85,000) to the Foundation for the purchase of artifacts and specimens.

15. The Royal Ontario Museum Foundation

The Foundation was incorporated on July 1, 1992 to co-ordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research and acquisitions.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. As at June 30, 2000, the fund balances of the Foundation are as follows:

	2000	1999
	(in thousands of dollars)	
Unrestricted funds	314	210
Restricted funds		
Available currently	5,867	4,761
Available at a future date	9,023	6,571
Internally restricted	113	197
	15,003	11,529
Endowment funds		
Externally restricted	7,378	7,064
Internally restricted	2,110	2,061
	9,488	9,125
	24,805	20,864

During the year, the Foundation granted $5,933,000 (1999 - $3,959,000) to the Museum. Of this amount $4,227,000 was recorded as revenue and the balance was recorded as deferred revenue or deferred capital contributions.

16. Pension plans

The Museum uses an accrued benefit actuarial method and best estimate assumptions to value pension plan obligations. The excess of pension plan assets over the present value of pension plan benefits and adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service life of the employee group. Current service costs are expensed during the year. The difference between the funding contributions and the amounts recorded as pension expenses or credits, which represents a deferred pension asset, is included in deferred pension costs on the balance sheet.

Based on the January 1, 1998 actuarial valuation and management's best estimate assumptions, the present value of the accrued pension benefits as at June 30, 2000 amounted to $35,099,000 (1999 - $33,851,000), and the market related value of the net assets available to provide for these benefits was $42,383,000 (1999 - $43,285,000).

the royal ontario museum

Statement of Operations by Fund-Schedule

	1999 - 2000				1998 - 1999			
	Operating Fund	Restricted Fund	Capital Fund	Total Museum	Operating Fund	Restricted Fund	Capital Fund	Total Museum
revenues								
Grants	21,481	3,595		25,076	20,180	2,088	64	22,332
Admission fees	4,977			4,977	2,676			2,676
Museum programs	1,973			1,973	1,441			1,441
Ancillary services	9,615	395		10,010	7,481	716		8,197
Investment income	26	45		71	30	9		39
Donations - Gifts in kind		2,629		2,629		1,296		1,296
Amortization of deferred capital contributions			4,021	4,021			3,879	3,879
Other	566	692		1,258	482	737		1,219
Total revenues	38,638	7,356	4,021	50,015	32,290	4,846	3,943	41,079
expenses								
Curatorial and collections management	8,263	1,693		9,956	8,073	1,415		9,488
Building, security and visitor services	7,427	943		8,370	6,348		64	6,412
Ancillary services	7,224	483		7,707	5,824	925		6,749
General and administration	3,502	62		3,564	3,305			3,305
Education and public programs	2,424	6		2,430	2,239			2,239
Library and information systems	2,138			2,138	1,844	7		1,851
Exhibition and gallery development	2,179			2,179	1,224			1,224
Marketing and public relations	1,515			1,515	1,444			1,444
Temporary exhibitions	3,384	44		3,428	1,465	17		1,482
Artifacts and specimens								
- Gifts in kind		2,629		2,629		1,296		1,296
- Purchased		1,116		1,116		1,416		1,416
Amortization of capital assets	107	46	4,021	4,174	50	33	3,879	3,962
Total expenses	38,163	7,022	4,021	49,206	31,816	5,109	3,943	40,868
Excess of revenues over expenses	475	334	0	809	474	(263)	0	211

notes

Restricted funds include externally restricted revenues and the related expenses as well as revenue that has been restricted for specific purposes by the Board of trustees, and the related expenses.

Capital Funds include the amortization of restricted contributions received for capital purposes and the amortization of the assets purchased with these restricted contributions.

Operating funds include all other revenues and expenses of the Museum.

Toronto Area Transit Operating Authority

Auditor's Report

To the Toronto Area Transit Operating Authority
and to the Minister of Transportation

I have audited the balance sheet of the Toronto Area Transit Operating Authority as at March 31, 2001 and the statement of operations and deficiency for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2001 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
July 13, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

TORONTO AREA TRANSIT OPERATING AUTHORITY

Balance Sheet
March 31, 2001

	2001 ($000s)	2000 ($000s)
ASSETS		
Current		
Due from Province of Ontario	8,863	9,374
Capital Assets Pledged as Collateral (Note 3)	236,638	258,037
	245,501	267,411
LIABILITIES AND DEFICIENCY		
Current Liabilities		
Current portion of long-term debt (Note 4)	2,352	1,204
Interest on long-term debt	8,863	8,968
	11,215	10,172
Long-term Debt (Note 4)	445,962	446,036
Deficiency	(211,676)	(188,797)
	245,501	267,411

See accompanying notes to financial statements.

Approved by:

Chair

Board Member

TORONTO AREA TRANSIT OPERATING AUTHORITY

Statement of Operations and Deficiency
For the Year Ended March 31, 2001

	2001 ($000s)	For the Period August 7, 1999 to March 31, 2000 ($000s)
Revenue		
Operating subsidies from the Province	36,311	24,697
Expenses		
Amortization of capital assets	21,399	14,007
Amortization of deferred foreign exchange loss on long-term debt	2,223	3,324
Interest on long-term debt	35,568	23,587
	59,190	40,918
Excess of Expenses over Revenue	(22,879)	(16,221)
(Deficiency) Equity, beginning of period	(188,797)	435,194
Transfer of net assets to Greater Toronto Transit Authority (Note 1)	—	(607,770)
Deficiency, end of period	(211,676)	(188,797)

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2001 (dollars in thousands)

1. FUNDING AND GREATER TORONTO SERVICES BOARD

On December 18, 1998 the Province gave Royal Assent to the *Greater Toronto Services Board Act, 1998.* Pursuant to this Act, on August 7, 1999, the transit business of the Toronto Area Transit Authority (Authority) was transferred to the Greater Toronto Transit Authority (GTTA) without compensation. The transfer included all assets (including $58,777 in cash) and liabilities and employees, except for the railway rolling stock and related debt represented by conditional sales agreements described in Note 4, which the Authority continues to administer.

2. ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies are as follows:

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Locomotives	20 years
Other railway rolling stock	25 years
Locomotive overhauls	5 years

(b) Foreign currency translation

Long-term debt payable in foreign currencies is translated to Canadian dollars at rates of exchange in effect at the end of the period. Unrealized exchange gains or losses arising on translation are deferred and amortized over the remaining term of the debt.

(c) Administrative expenses

Administrative services are provided by the Ministry of Transportation without charge.

3. CAPITAL ASSETS

The capital assets are comprised of locomotives and other railway rolling stock pledged as collateral for the long-term debt described in note 4.

	2001			2000
	Cost $	Accumulated Amortization $	Net $	Net $
Other Railway Rolling Stock	363,308	177,953	185,355	199,886
Locomotives	110,905	62,026	48,879	54,426

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2001 (dollars in thousands)

Locomotive Overhauls	7,312	4,908	2,404	3,725
	481,525	244,887	236,638	258,037

4. LONG-TERM DEBT

At the request of the Ontario Minister of Finance, the Authority entered into a financing transaction on March 31, 1994. Under the terms of the transaction, 42 of the locomotives and 243 bi-level cars were sold for US$311,867 (CDN$431,530) and immediately repurchased from the same counterparty at the same price under conditional sales agreements (CSAs) maturing on July 1, 2006. The proceeds from the original sale was returned to the Province net of transaction costs of $4,271. While under the CSAs, the Authority agreed to repay the obligation and interest thereon over the 12-year period. Pursuant to a memorandum of understanding dated December, 1993 with the Minister of Finance, and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, the Province will provide funds to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the debt and interest obligations.

The transaction has been accounted for as a collateralized financing. The debt is collateralized by the locomotives and bi-level cars. The Authority retains the right to use the locomotives and bi-level cars and is liable for maintenance and all other associated obligations. On August 7, 1999, the Authority signed an equipment lease agreement leasing these locomotives and bi-level cars to the Greater Toronto Transit Authority (GTTA) at a nominal amount of one dollar annually. Under this equipment lease agreement which expires on July 1, 2006, GTTA is liable for the maintenance and all other associated obligations.

To minimize the risk of fluctuations in foreign exchange rates to the Ontario government, the Province has entered into a currency swap agreement. At year end, approximately 80% of the debt was hedged by the currency swap. As the Authority is not a party to the currency swap agreement, the effects of this agreement are not reflected in these financial statements. As such, the Authority recognizes the full impact of currency fluctuations while the Province recognizes the offsetting gain or loss on the swap. Due to the unique nature of the long-term debt, it is not practical to determine a fair value of this transaction.

TORONTO AREA TRANSIT OPERATING AUTHORITY

Notes to Financial Statements
March 31, 2001 (dollars in thousands)

4. LONG-TERM DEBT (CONTINUED)

CSA Number	Maximum Loan US$	Average Interest Rate %	Balance at March 31, 2001 US$	Collateral
1	14,487	7.27536	14,318	Bi-level cabs and coaches
2	108,926	7.26143	108,282	Bi-level cabs and coaches
3	23,794	7.38419	22,987	Locomotives
4	70,319	7.28488	69,604	Bi-level cabs and coaches
5	60,702	7.36798	60,246	Bi-level coaches
6	41,926	7.39563	41,490	Locomotives
	320,154		316,927	

Translated to Canadian Dollars at	1.5763
CAN$	499,572
Deferred foreign exchange loss net of accumulated amortization of $9,782	(51,258)
	448,314
Less: Current portion	2,352
	445,962

The annual repayments on a fiscal year basis in US dollars that the Authority is required to make are as follows:

Fiscal Year	Principal Repayment US$	Interest US$	Total US$
2001-2002	1,492	23,192	24,684
2002-2003	2,334	23,071	25,405
2003-2004	2,753	22,889	25,642
2004-2005	8,069	22,597	30,666
2005-2006	8,911	22,073	30,984
2006-2007	293,368	10,727	304,095
	316,927	124,549	441,476

5. STATEMENT OF CASH FLOWS

A statement of cash flows was not required as the information which it would contain is readily available from these financial statements.

TRUST AND OTHER MISCELLANEOUS FINANCIAL STATEMENTS

Deposit Insurance Corporation of Ontario

MANAGEMENT'S RESPONSIBILITY

The Deposit Insurance Corporation of Ontario's management is responsible for the integrity and fair presentation of the financial statements included in the annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Corporation maintains systems of internal accounting controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the Corporation's Audit and Finance Committee and have been approved by its Board of Directors. In addition, the financial statements have been examined by KPMG LLP, the auditors, whose report follows.

Andrew

Andrew Poprawa, CA
President & CEO

James Maxwell
Chief Administrative
and Financial Officer

Toronto, Canada
January 19, 2001

AUDITORS' REPORT

KPMG LLP

To the Board of Directors of
Deposit Insurance Corporation of Ontario

We have audited the Statement of Financial Position of Deposit Insurance Corporation of Ontario as at December 31, 2000 and the Statement of Operations and Changes in the Deposit Insurance Reserve Fund and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
January 19, 2001

DEPOSIT INSURANCE CORPORATION OF ONTARIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2000, WITH COMPARATIVE FIGURES FOR 1999 (IN *THOUSANDS OF DOLLARS)*

	2000	1999
ASSETS		
Cash	**$ 300**	$ 338
Investments (note 2)	**23,328**	4,181
Accounts and interest receivable	**245**	152
Deposit insurance advances recoverable	**4,709**	5,639
Capital assets (net of accumulated amortization of $2,753 (1999 $2,681))	**342**	359
	$28,924	$10,669
LIABILITIES		
Payables and accruals	**1,638**	1,829
Premium rebate payable		1,979
Accrual for deposit insurance losses (note 4)	**12,167**	14,541
Total Liabilities	**13,805**	18,349
Deposit Insurance Reserve Fund (deficit)	**15,119**	(7,680)
	$28,924	$10,669

Contingencies (note 10)

See accompanying notes to financial statements

On behalf of the Board:

Margaret E. McKee

Director

Director

Deposit Insurance Corporation of Ontario

DEPOSIT INSURANCE CORPORATION OF ONTARIO

STATEMENT OF OPERATIONS AND CHANGES TNE DEPOSIT INSURANCE RESERVE FUND

YEAR ENDED DECEMBER 31, 2000, WITH COMPARATIVE FIGURES FOR (1999THOUSANDS OF DOLLARS)

	2000	1999
INCOME		
Premium income	$ 25,381	$ 25,959
Less: Premium rebates		(1,979)
Other income	1,366	537
	26,747	24,517
EXPENSES		
Recovery of losses (note 4)	(2,224)	(5,535)
Salaries and benefits	3,988	4,118
Future non pension post retirement benefits expense (note 8)	69	69
Loan fee / Interest expense	21	83
Operating expense	2,733	3,008
Recovery of operating expense	(639)	(1,253)
	3,948	490
Excess of income over expenses	22,799	24,027
Deposit Insurance Reserve Fund (deficit), beginning of year	(7,680)	(31,707)
Deposit Insurance Reserve Fund (deficit), end of year	$ 15,119	$ (7,680)

See accompanying notes to financial statements

DEPOSIT INSURANCE CORPORATION OF ONTARIO
STATEMENT OF CASH FLOWS

	2000	1999
Cash received from (applied to):		
Operations:		
Excess of income over expenses	**$22,799**	$24,027
Items charged to operations not affecting cash		
Recovery of losses	**(2,224)**	(5,535)
Gain on disposal of capital assets	**(6)**	(5)
Amortization	**191**	243
Gain on sale of real estate held for resale		(107)
	20,760	18,623
Changes in:		
Accounts and interest receivable	**(93)**	(4)
Loan receivable		71
Payables and accruals	**(2,170)**	753
	(2,263)	820
Net deposit insurance recoveries (note 4)	**780**	818
	19,277	20,261
Investing activities:		
Proceeds on sale of real estate held for resale		1,107
Purchase of capital assets	**(176)**	(108)
Proceeds on sale of capital assets	**8**	6
	(168)	1,005
Increase in cash position	**19,109**	21,266
Cash position, beginning of year	**4,519**	(16,747)
Cash position, end of year	**$23,628**	$ 4,519
Supplementary cash flow information:		
Interest paid during the year	**$ 12**	$ 72

Cash position is defined as cash and short term investments less any borrowings
See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2000

General

Deposit Insurance Corporation of Ontario is an "Operational Enterprise" Agency of the Province of Ontario without share capital established under the provisions of the Credit Unions and Caisses Populaires Act.

The statutory objects of the Corporation under the Act are to:

- provide deposit insurance to depositors of member institutions
- act as stabilization authority for the credit union and caisse populaire system
- promote standards of sound business and financial practices
- collect and publish statistics
- provide financial assistance to member institutions
- act as administrator of member institutions
- minimize deposit insurance risk and size of claims

The Act empowers the Corporation to assess its member institutions to meet the Corporation's requirements for insurance funding and administrative costs. The Corporation establishes its premium levy annually. The established premium levy is submitted to the Government of Ontario for review and incorporation into the regulations through appropriate amendments as necessary.

In addition the Corporation's borrowings, if any, are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The guarantee is for a maximum of $75 million and expires December 31, 2001. The Province of Ontario charges guarantee fees based on one half of one per cent of the average end of day balance outstanding of any debt obligation subject to the Minister's guarantee.

1. Summary of Significant Accounting Policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not reflect the assets, liabilities or operations of credit unions or caisses populaires where the Corporation has been appointed liquidator.

(a) Premium income:
Premiums are based on insured deposits held by member institutions. Premium income is recognized when earned.

(b) Provision for losses:
The provision for losses includes allowances against deposit insurance advances and an accrual for losses for which advances have not been made at the date of the Statement of Financial Position.

Funds advanced in respect of deposit insurance and loans to member institutions are initially recorded at cost. Deposit insurance advances recoverable are presented on the Statement of Financial Position net of allowances thereon.

The accrual for deposit insurance losses includes both provisions for specific losses and a general provision for losses.

Specific provisions for losses in respect of insured deposits are estimated by management and recorded when conditions, in the opinion of management, exist that will likely result in losses to the Corporation.

The general provision for losses reflects management's best estimate of losses on insured deposits arising from the inherent risk in the credit union/caisse populaire system. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates.

(c) Pension benefits:
The Corporation has a defined contribution pension plan covering all of its employees. Earnings are charged with the cost of pension benefits earned by employees as service is rendered. Pension expense is determined by a fixed percentage of the employees' income plus the matching of the employees' contribution to a maximum of 4%. The Corporation assumes no actuarial or investment risk.

(d) Future non pension post retirement benefits:
Future non pension post retirement benefits relate to the Corporation's extended health, dental and life benefits for both active employees for whom a full eligibility date was determined and existing qualified retirees. The Corporation accrues obligations under these plans as the employees render the service necessary to earn the future benefits. The cost of these future non pension post retirement benefits earned by employees is actuarially determined. Accruals for these costs represent discounted future expenditures for existing retirees and discounted future expenditures during the period of active employment for current employees to an expected retirement date.

(e) Investments:
Investments comprise short term fixed income instruments and are recorded at amortized cost. The discounts are amortized on a straight line basis over the terms of the instruments.

(f) Capital assets:
These are recorded at cost. Amortization of furniture and equipment is provided by the diminishing balance method at the rate of 20 per cent per annum. Computer and related equipment and software are amortized over three years on a straight line basis. Leasehold improvements are amortized on a straight line basis over the term of the lease.

2. Investments:

Investments have terms to maturity less than three months. They have a weighted average yield of 5.61% (1999: 5.09%). All investments are highly liquid fixed rate contracts and are R1 MID or better on the DBRS scale.

	2000	1999
	(thousands)	
Treasury Bills Canada	$ 5,932	$
Treasury Bills Ontario	8,385	
Promisory Notes other provinces	6,028	
Bankers Acceptance	2,983	4,181
Total Investments	$23,328	$ 4,181

3. Borrowings:

The Corporation has in place revolving credit facilities, approved by the Ontario Financing Authority, which administers the Minister's guarantee, as follows:

	Maximum Credit Available	Outstanding as at Dec. 31, 2000
	(thousands)	
Canadian Chartered Bank	$20,000	Nil
Credit Union Central of Ontario	$10,000	Nil

The borrowings are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The interest rate on all lines of credit is Bankers'Acceptance rates plus 14 basis points. These lines of credit expire on December 31, 2001.

4. Accrual for deposit insurance losses:

The provision for losses includes specific provisions for known or likely losses from specific member institutions and a general provision for losses not identified with specific institutions. That portion of the provision for losses recorded in the year and in previous years which has not yet required payment by the Corporation is shown in liabilities on the Statement of Financial Position as accrual for deposit insurance losses.

	2000	1999
	(thousands)	
Accrual for deposit insurance losses, beginning of year	$ 14,541	$18,037
Changes in respect of member institutions where a loss was identified in the current year :		
Increase in Accrual for deposit insurance losses		1,500
Changes in respect of member institutions where a loss was identified in prior years:		
(Decrease)Increase in deposit insurance advances recoverable	(930)	1,221
Decrease in Accrual for deposit insurance losses	(1,724)	(6,535)
Change in general provision for losses	(500)	(500)
	$ 11,387	$13,723
Net deposit insurance recoveries	780	818
Accrual for deposit insurance losses, end of year	$ 12,167	$14,541

The general provision for losses included in the accrual for deposit insurance losses amounted to $3,000,000 (1999 $3,500,000) and is calculated in accordance with the methodology as described in note 1(b).

The Corporation has provided deficiency coverage agreements to two credit unions to facilitate the merger of one credit union and the sale of assets of another. These agreements provide protection to the acquiring credit unions in the event that a portion of the principal and income on certain commercial and retail loans is at risk. These amounts are fully provided in the accrual for deposit insurance losses. The coverage is in force on a diminishing basis for four years from the date of the agreement. A fee of one per cent per annum on the diminishing balance is payable by these credit unions to cover the cost of administering the agreements.

5. Lease Commitments:

The operating lease for the Corporation's premises is for the term commencing January 1, 1998 and ending August 5, 2007. The future minimum rent is $123,000 for years one to five and $140,000 for years six to ten. In addition, the Corporation is required to pay property taxes and common area maintenance costs.

6. IncomeTaxes:

The Corporation is subject to income taxes under the Income Tax Act. It has accumulated losses for income tax purposes of $46,473,000. They expire as follows:

Originating Taxation Year	Expiring Taxation Year	Amount *(thousands)*
1994	2001	$ 6,619
1995	2002	6,987
1996	2003	7,566
1997	2004	7,449
1998	2005	6,885
1999	2006	5,972
2000	2007	4,995
		$ 46,473

7. Pension Plan:

The Corporation substantially collapsed the defined benefit pension plan and transferred the applicable past service actuarial values as at December 31,1998 to a defined contribution plan as elected by all its then current employees. All past service costs have been accounted for on the plan revision. The Corporation's pension expense charged to income for 2000 was $316,000 (1999 $321,000)

8. Future non pension post retirement benefits:

The Corporation accounts for the current value of future non pension post retirement benefits. The accrued obligation as at December 31, 2000, as actuarially determined, is $590,000 (1999 $538,000). Current service costs, including interest, were $69,000. These costs are subject to actuarial re evaluation resulting from emerging experience gains and losses.

The assumptions used in the actuarial valuation of the future benefits obligations consisted of: interest rate of 7.25%, rate of compensation increase of 4.5%, annual rate of increase in dental costs of 4.5% and annual rate of increase in medical cost of 8%, grading down to 4.5% per annum over 5 years.

9. Directors' Expense:

During the year the directors received an aggregate remuneration of $81,000 (1999 $93,000). Total directors' expense was $52,000 (1999 $69,000).The fixed per diem rate for the Chair is $500 and for all other board members it is $300.

10. Contingencies:

The Corporation is subject to various legal actions brought against it in the normal course of business, when acting in the capacity of administrator or liquidator. It is the view of the Corporation's management that these actions will be successfully defended. Accordingly, no provisions have been made in these financial statements.

11. FairValue Disclosure:

The fair value of financial assets and liabilities which include cash, investment, accounts and interest receivable, payables and accruals, and premium rebate payable approximate their carrying amounts.

The fair value of deposit insurance advances recoverable and the accrual for deposit insurance losses have not been determined because it is not practicable to determine fair value with sufficient reliability.

12. Compensation:

The following information is furnished in compliance with the *Public Sector Salary Disclosure Act, 1996.*

Employee	Position held	Compensation	Taxable Benefits
Brydges, Barry	Vice President Stabilization Services	$ 123,377	$ 8,995
Burgman, John	Chief Information Officer	$ 102,596	$ 8,723
Charbonneau, Robert	Vice President Insurance	$ 123,719	$ 8,378
Foster, C.William D.	Vice President Asset Management & Recoveries	$ 133,461	$ 8,474
Kingston, Tom	Director Administration	$ 117,219	$ 7,236
Maxwell, James	Chief Administrative & Financial Officer	$ 117,419	$ 10,763
Poprawa, Andrew	President and CEO	$ 187,815	$ 9,838

13. Comparative figures:

Certain comparative figures for 1999 have been restated to conform with the financial statement presentation adopted for 2000.

CORPORATION'S REPORT ON LIQUIDATIONS

It is the responsibility of the liquidator to maximize the recovery of the assets of the member institution in dissolution for the benefit of all creditors. As the deposit insurer, the Deposit Insurance Corporation of Ontario (DICO) is usually the largest unsecured creditor of a dissolved member institution. As a result, DICO has a direct interest in ensuring that the liquidator's duties and responsibilities are managed in an efficient, cost effective manner. DICO, in its capacity as liquidator, employs internal resources for the purpose of collecting, monitoring and realizing on the assets of member institutions in liquidation.

DICO believes it can best manage its losses by directly controlling the liquidation process. Through direct control and management, DICO can also protect neighbouring member institutions from any potential loss of confidence.

Under the *Credit Unions and Caisses Populaires Act*, the liquidator is required to prepare a statement of affairs at the date of liquidation. It is DICO's practice as liquidator to commission independent accountants to prepare such statements of affairs. To minimize liquidation costs and avoid any potential delay in conducting the liquidation, DICO does not require that these statements of affairs be audited. Consequently, in the absence of opening audited financial information, the liquidator's auditors, KPMG LLP, qualify their report on the results of DICO's activities as liquidator.

DICO did not accept any new appointments as liquidator in fiscal 2000. DICO in its capacity as liquidator, recovered $1.8 million from the liquidation of assets and paid creditors' claims totalling $1.5 million. In certain cases, assets are sold on a going concern basis to another member institution for which payment is made by the assumption of an equal value of depositor claims.

In situations where it is expected that a call will be made on DICO's deposit insurance coverage, DICO is appointed liquidator. To date, in most liquidations managed by DICO, the member institution reported a deficit at the time of liquidation. A deficit occurs when reported assets are insufficient to satisfy all deposits and other liabilities and member shares. DICO paid insured depositors on behalf of the liquidating member institution and established a provision for deposit insurance losses to reflect the anticipated loss. We are pleased to advise that, in a number of instances, DICO's asset realizations have exceeded expectations. This has permitted DICO to either reduce or eliminate its loss provision for the associated member institution. Additionally, since 1997, DICO has paid dividends to members of 11 liquidated member institutions. These dividends represent surplus funds from recoveries after the payment of all deposits, other liabilities, liquidator fees and costs.

As at December 31, 2000, the book value of the combined assets remaining to be liquidated totalled $15.7 million. The vast majority of these assets represent impaired loans. Accordingly, the estimated recoveries on these assets will be significantly below the amounts recorded. Management's best estimate of these future recoveries is $4.8 million.

Andrew Poprawa, CA
President &
Chief Executive Officer

C.W.D. Foster
Vice President,
Asset Management
and Recoveries

Toronto, Canada
January 19, 2001

AUDITOR'S REPORT

KPMG LLP

To the Board of Directors of Deposit Insurance Corporation of Ontario

We have audited the statement of combined assets and creditors' claims as at December 31, 2000 under the control of Deposit Insurance Corporation of Ontario as liquidator and the statement of changes in combined assets and creditors' claims for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Upon appointment as liquidator of a credit union or caisse populaire, the Corporation engages independent accountants to prepare an unaudited statement of affairs which sets out the assets and creditors' claims as at the date of commencement of the liquidation. As the statements of affairs are unaudited, we are unable to verify whether the books and records of the credit unions/caisses populaires are complete and accurate at the commencement of liquidation.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to verify the assets and creditors' claims taken under the control of the Corporation at the commencement of liquidation, these financial statements present fairly, in all material respects, the combined assets and creditors' claims under the control of the Corporation as liquidator as at December 31, 2000 and the changes in the combined assets and creditors' claims for the year then ended in accordance with the basis of accounting disclosed in note 1.

KPMG LLP

Chartered Accountants
Toronto, Canada
January 19, 2001

DEPOSIT INSURANCE CORPORATION OF ONTARIO AS LIQUIDATOR

STATEMENT OF COMBINED ASSETS AND CREDITORS' CLAIMS UNDER THE CONTROL OF THE CORPORTION AS LIQUIDTOR

DECEMBER 31, 2000, WITH COMPARATIVE FIGURES FOR 1[illegible] THOUSANDS OF DOLLARS)

	2000	1999
ASSETS		
Cash (Note 2)	**$ 1,376**	$ 1,326
Loans, at gross book value	**13,229**	15,565
Investments and other assets	**450**	363
Real estate held for sale	**640**	640
	$ 15,695	$ 17,894
CREDITORS' CLAIMS		
Deposit Insurance Corporation of Ontario	**$ 32,297**	$ 33,224
Deposits	**3,001**	3,630
Other claims	**3,586**	4,470
Total creditors' claims	**$ 38,884**	$ 41,324

See accompanying notes to the statement of combined assets and creditors' claims under the control of the Corporation as liquidator.

On behalf of the Board:

____________________ Director

____________________ Director

DEPOSIT INSURANCE CORPORATION OF ONTARIO AS LIQUIDATOR

STATEMENT OF CHANGES IN COMBINED ASSETS AND CREDITORS' CLAIMS

YEAR ENDED DECEMBER 31, 2000 *(IN THOUSANDS OF DOLLARS)*

	2000	1999
ASSETS:		
Opening assets	**$17,894**	$25,740
Add: Assets assumed as a result of new liquidations		
Less: Uncollectable loans transferred to DICO	**(474)**	(379)
Less: Assets realized during the year (includes opening cash)	**(1,775)**	(6,637)
Sub total	**15,645**	18,724
Add: Increase in cash position retained by Liquidator	**50**	(830)
Total Assets	**$15,695**	$17,894
CREDITORS' CLAIMS:		
DICO's Claim		
Opening claim	**$33,224**	$35,142
Less: Payments to DICO	**(137)**	(911)
Less: Claims abandoned by DICO that were uncollectable (Note 3)	**(790)**	(1,007)
Closing claim of DICO	**$32,297**	$33,224
Other Creditors' and Depositors' Claims		
Opening claims	**$ 8,100**	$15,879
Add: Claims as a result of new liquidations assumed		
Less: Claims paid during the year	**(1,477)**	(7,751)
Less: Unclaimed deposits assumed by DICO (Note 3)	**(36)**	(28)
Closing Creditors' and Depositors' Claims	**$ 6,587**	$ 8,100
Total Creditors' Claims	**$38,884**	$41,324

See accompanying notes to the statement of combined assets and creditors' claims under the control of the Corporation as liquidator.

NOTES TO STATEMENT OF COMBINED ASSETS AND CREDITORS' CLAIMS UNDER THE CONTROL OF THE CORPORATION AS LIQUIDATOR

YEAR ENDED DECEMBER 31, 2000

Deposit Insurance Corporation of Ontario (the "Corporation") is, from time to time, appointed liquidator of credit unions and caisses populaires. In this capacity, the Corporation is responsible for the individual liquidation of a member institution's assets in an orderly manner and applying the proceeds towards the claims of its creditors. These financial statements are a combination of the financial statements of 23 (1999 31) credit unions and caisses populaires currently in liquidation, each liquidation being carried out as a separate legal proceeding.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

These statements of combined assets and creditors' claims and changes in combined assets and creditors' claims under the control of the Corporation are prepared on the basis of accounting disclosed in these notes. Upon commencement of liquidation of a credit union/caisse populaire, its financial statements cease to be prepared on a going concern basis and all transactions are recorded on a cash basis.

These financial statements present the combined assets nd creditors' claims of all the credit unions and caisses populaires currently being liquidated by the Corporation. **The reader of this statement is cautioned that this statement is not prepared in accordance with generally accepted accounting principles and the amount of assets under the control of the Corporation does not purport to be the expected recoverable amount or their fair value.**

(b) Loans:

Loans are recorded at the book value of the outstanding amount at the date of liquidation less cash received for the principal payments in the liquidation period. No allowance for loan losses has been recorded and no attempt has been made to estimate the net recoverable amount from loans.

Due to their nature, a substantial portion of the loans are considered impaired, as there is doubt about the timely collection of principal and interest in full.

(c) Investments and other assets:

Investments and other assets are stated at their book values as at the date of liquidation.

(d) Real estate held for sale:

Real estate is stated at the net book value as recorded at the date of liquidation. Depreciation is not recorded.

(e) Creditors' Claims:

The Deposit Insurance Corporation of Ontario (DICO) insures deposits of members of credit unions and caisses populaires to the statutory limit. In the event of the liquidation of a member institution, the Corporation pays insured depositors and thus assumes the depositors' claims against the assets of the credit unions and caisses populaires in liquidation. The amounts owing to DICO represent the Corporation's claims against the assets of 23 (1999 31) credit unions and caisses populaires currently in liquidation.

(f) Contingencies:

Certain credit unions/caisses populaires in liquidation are plaintiffs or defendants in lawsuits. However, no potential gains or losses from the legal actions have been recorded.

2. CASH FLOWS:

	2000	1999
	(thousands)	
Cash, beginning of year	$ 1,326	$ 2,156
Assets realized during the year	1,775	6,637
Net liquidation (expenses) income	(111)	1,195
Payments to DICO	(137)	(911)
Total cash available	$ 2,853	$ 9,077
Less: Payment of creditors' claims	(1,477)	(7,751)
Cash, end of year	$ 1,376	$ 1,326

3. CREDITORS' CLAIMS:

During the year 2000, DICO's unsatisfied claims against 8 credit unions were abandoned by DICO and removed from the financial statements upon the completion of the liquidation as it was determined that there would be no further realization on these credit unions' assets.

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2001

ASSETS

	2001 $	2000 $
Funds on Deposit with the Minister of Finance	7,174,158	6,098,586
	7,174,158	**6,098,586**

LIABILITIES & FUND BALANCE

	2001 $	2000 $
Net Fund Balance	7,174,158	6,098,586
	7,174,158	**6,098,586**

See accompanying notes to Financial Statements

Approved:

Dina Palozzi

Dina Palozzi
Chief Executive Officer and
Superintendent of Financial Services

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FUND
FOR THE YEAR ENDED MARCH 31, 2001

	2001 $	2000 $
RECEIPTS		
Fee on issue or renewal of driver's licences	8,821,318	8,366,323
Repayment by debtors	2,382,261	2,567,995
Prior year recoveries	543,393	483,493
TOTAL RECEIPTS	**11,746,972**	**11,417,811**
DISBURSEMENTS		
Special Purpose Payments		
Third Party Claims		
Judgments, including costs	3,107,710	4,712,439
Out-of-Court settlements	66,869	94,031
Hit-and-run cases, including costs	985,807	603,318
	4,160,386	**5,409,788**
Accident Benefits		
Statutory accident benefits	3,550,972	5,264,804
Sub-total	**7,711,358**	**10,674,592**
Administrative Expenses		
Salaries and wages	767,755	762,330
Employee benefits	136,365	148,302
Transportation and communication	15,268	104,117
Services		
Claims (Solicitors' fees, etc.)	1,415,379	987,910
Accident benefits claims expense	516,812	615,132
Other	95,323	655,722
Supplies and equipment	13,140	31,975
Sub-total	**2,960,042**	**3,305,488**
TOTAL DISBURSEMENTS	**10,671,400**	**13,980,080**
Increase/(Decrease) in Fund during the year	1,075,572	(2,562,269)
Balance in Fund, on deposit with the Minister of Finance, Beginning of Year	6,098,586	8,660,855
Balance in Fund, on deposit with the Minister of Finance, End of Year	**7,174,158**	**6,098,586**

See accompanying notes to Financial Statements

MOTOR VEHICLE ACCIDENT CLAIMS FUND

NOTES TO FINANCIAL STATEMENTS

1. Authority

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the Motor Vehicle Accident Claims Act (the "Act"), R.S.O. 1990, Chapter M.41 as amended.

2. Fund Operations

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the Compulsory Automobile Insurance Act, all motorists were required to carry compulsory third party liability insurance including uninsured motorist coverage. In 1990, a new provision to pay accident benefits was created for the Fund.

The Fund now pays claims under four different automobile insurance compensation systems:

1) Tort - prior to June 22, 1990
2) OMPP - between June 22, 1990 and December 31, 1993
3) Bill 164 - between January 1, 1994 and October 31, 1996
4) Bill 59 - from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike, insurance companies the Fund does not cover claims where the accidents occur outside of Ontario.

3. Statement of Fund

Basis of Accounting

The Fund uses a cash basis of accounting which is modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, certain payments incurred at year end may be reported in the following month of the new fiscal period.

Receipts

Fees consist of $1.00 charged per year to every driver in the Province of Ontario who renews his/her driver's licence and for every new driver's licence issued.

Amounts collected on outstanding receivables are reported as receipts in the year they are collected (see below for explanation of Accounts Receivable).

Special Purpose Payments

Amounts paid from the Fund to victims of automobile accidents, where there is no insurance to respond to the claim, are reported as expenditures and are broken down into claim types set out in the Act. These payments are legally recoverable from uninsured at-fault motorists, for all third party, liability claims.

Administrative Expenses

The administrative expenditures (e.g. Salaries, Benefits, Transportation & Communication, Services and Supplies & Equipment) are paid out during the course of the year from the Consolidated Revenue Fund. At the end of each fiscal year, the Lieutenant Governor in Council authorizes the payment out of the Fund, of the amount required to reimburse the Consolidated Revenue Fund for the expenses incurred in connection with the administration of the Fund.

4. Statement of Financial Position

Motor Vehicle Accident Claims Fund

As at March 31, 2001 the Fund reported receipts in excess of disbursements by $1.1 million increasing the fiscal year end Fund balance to $7.2 million. This amount is held in a Consolidated Revenue Fund Special Purpose Account and is reported as a liability on the Statement of Financial Position of the Province of Ontario.

Accounts Receivable

The records of the Fund provide for an Accounts Receivable portfolio, compiled over the years as a result of third party claim payouts to uninsured victims. In accordance with the Act these payouts which become receivables, are recoverable from uninsured motorists. As of March 31, 1999, the process used to estimate the allowance for doubtful accounts was revised. The process involves an aging method modified to suit the Fund's payout process. At March 31, 2001 the receivables totalled $51.1 million. The allowance for doubtful accounts is calculated to be $29.8 million leaving a net realizable value of $21.3 million.

Contingent Gains

Some payments out of the Fund are in the form of Structured Settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 25 years and during this period reversionary interest will revert back to Her Majesty the Queen in right of Ontario as represented by the Minister of Finance should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest as at March 31, 2001 for information purposes.

As at March 31, 2001, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately $3.9 million with applicable reversionary interest of approximately $2.8 million.

Fixed Assets

The cost of Fixed Assets, consisting of furniture and equipment and alterations to premises are charged to operations in the period in which they are incurred.

Unfunded Liability

As at March 31, 2001 the Fund is contingently liable for claims in process, claims which have occurred but have not yet been reported, and the expenses required to settle the claims. Based on an actuarial valuation, the estimated payments in all future years arising from outstanding claim and claim settlement expense liability, add up to $92.2 million. This amount includes a $4.2 million provision for adverse deviation. Once netted against the Fund's $7.2 million balance, and $21.3 million in net receivables, (as per Accounts Receivable, above), this leaves an unfunded liability of $63.7 million.

The portion of the overall $92.2 million expected to be paid out in the 2001 - 2002 fiscal year is estimated to be approximately $12.1 million.

Ontario Pension Board

Management's Responsibility for Financial Reporting

The consolidated financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these consolidated financial statements are in accordance with generally accepted accounting principles. Of necessity, many amounts in the financial statements must be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of the OPB. The OPB's Audit Committee assists in this responsibility by reviewing the consolidated financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Leonard Lu
President

Robert J. Sycamore, CA
Director, Finance

February 12, 2001

Auditors' Report
To the Directors of the Ontario Pension Board

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Pension Board (the "OPB") as at December 31, 2000, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the OPB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the OPB as at December 31, 2000 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst + Young

Chartered Accountants

Toronto, Canada
February 12, 2001

Actuaries' Opinion
To the Directors of the Ontario Pension Board

We have prepared an actuarial valuation on a funding basis of the Public Service Pension Plan (the "PSPPlan") as of December 31, 1999 and a supplementary cost certificate as of August 1, 2000, as described in Note 8(a) of these consolidated financial statements.

We hereby certify that, in our opinion:

- the data provided to us by the Ontario Pension Board (OPB) are sufficient and reliable for the purposes of the December 31, 1999 valuation and August 1, 2000 cost certificate;
- the actuarial assumptions used are, in aggregate, appropriate for the purposes of a valuation for funding purposes of the PSPPlan;
- the methods employed in the valuation are appropriate for the purposes of the valuation and are consistent with the requirements of the *Pension Benefits Act*, the *Public Service Pension Act*, and the *Income Tax Act (Canada)*; and
- the valuation was prepared and our opinion given in accordance with generally accepted actuarial practice.

Using the same data as provided by the OPB for the funding basis valuation, we also prepared an estimate of the assets and liabilities on an actuarial basis following the accounting methodology required by *The Canadian Institute of Chartered Accountants Handbook*, Section 4100, as disclosed in Note 8(b). These amounts are set out in the consolidated statement of net assets available for benefits and accrued pension benefits and surplus. The valuation for accounting purposes was prepared in accordance with accepted actuarial practice and is based on assumptions set out in Note 8(b), which in our opinion fall within a reasonable range.

Michael Banks	Paul J. Nock
Michael D. Banks, F.I.A., F.C.I.A.	Paul Nock, F.S.A., F.C.I.A.

WILLIAM M. MERCER LIMITED
February 12, 2001

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

As at December 31 (in thousands of dollars)	**2000**	1999
Assets		
Investments (Note 4)	$ 11,952,232	$ 11,184,908
Contributions receivable (Note 7)	13,793	24,984
Capital assets (Note 5)	462	678
Total assets	11,966,487	11,210,570
Liabilities		
Income taxes withheld on pension payments	8,332	8,308
Accounts payable and accrued charges	6,583	5,930
Contributions payable	333	351
Total liabilities	15,248	14,589
Net Assets Available for Benefits	11,951,239	11,195,981
Actuarial asset value adjustment (Note 8(b))	921,280	808,746
Actuarial Value of Net Assets Available for Investments	12,872,519	$ 12,004,727
Accrued Pension Benefits and Surplus		
Accrued pension benefits	11,212,152	$ 10,994,073
Surplus (Note 8(b))	1,660,367	1,010,654
Total Benefits and Surplus	$ 12,872,519	$ 12,004,727

See accompanying notes

William H. Somerville
Director

Donald D. Weiss
Director

Consolidated Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31 (in thousands of dollars)	**2000**	1999
Increase in Net Assets		
Net investment income (Note 6)	$ 1,111,059	$ 569,051
Contributions (Note 7)	282,604	322,068
Transfers from other plans	143,204	38,086
Increase in net assets	1,536,867	929,205
Decrease in Net Assets		
Pensions paid	669,642	648,923
Termination payments and transfers	100,258	46,939
Operating expenses (Note 11)	11,709	11,217
Decrease in net assets	781,609	707,079
Net Increase in Net Assets for the Year	755,258	222,126
Net Assets, at Beginning of Year	11,195,981	10,973,855
Net Assets, at End of Year	$ 11,951,239	$ 11,195,981

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

For the Year Ended December 31 (in thousands of dollars)	**2000**	1999
Accrued Pension Benefits, at Beginning of Year	$ 10,994,073	$ 10,903,192
Increase in Accrued Pension Benefits		
Interest on accrued pension benefits	747,243	735,233
Benefits accrued	289,533	206,891
Total increase	1,036,776	942,124
Decrease in Accrued Pension Benefits		
Benefits paid	721,900	695,862
Experience gains	96,797	155,381
Total decrease	818,697	851,243
Net Increase in Accrued Pension Benefits	218,079	90,881
Accrued Pension Benefits, at End of Year	$ 11,212,152	$ 10,994,073

Consolidated Statement of Changes in Surplus

For the Year Ended December 31 (in thousands of dollars)	**2000**	1999
Surplus, at Beginning of Year	$ 1,010,654	$ 802,423
Increase in net assets available for benefits	755,258	222,126
Change in actuarial asset value adjustment	112,534	76,986
Increase in actuarial value of net assets available for benefits	867,792	299,112
Net Increase in Accrued Pension Benefits	218,079	90,881
Surplus, at End of Year	$ 1,660,367	$ 1,010,654

See accompanying notes

Notes to the Consolidated Financial Statements

December 31, 2000

1. Public Service Pension Act

Effective January 1, 1990, the Province of Ontario (the "Province") enacted the Public Service Pension Act, 1990 (the "PSPAct") to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan (the "PSPPlan") are stated in Schedule 1 to the PSPAct. The Ontario Pension Board (the "OPB") is the administrator of the PSPPlan.

2. Description of PSPPlan

The following is a brief description of the PSPPlan. For more complete information, reference should be made to the PSPAct.

a) General

The PSPPlan is a contributory defined benefit pension plan and membership is mandatory for most employees who satisfy the eligibility requirements provided in the PSPAct. Under the PSPPlan, contributions are made by the members and the employers. The PSPPlan is registered under the Pension Benefits Act (Ontario) and the Income Tax Act (Canada) under Registration Number 0208777.

b) Contributions

The PSPPlan is integrated with the Canada Pension Plan ("CPP"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The employers contribute matching amounts. The Province has amended the PSPPlan to provide for a contribution reduction of 4% of salary for members and a corresponding reduction for employers. This reduction is in effect until November 30, 2002. For most members, the reduction took effect on August 1, 2000.

Ontario Provincial Police Force ("OPP") members are required to contribute to the PSPPlan an additional 2% of salary which is matched by the employer. Under an amendment to the PSPPlan, OPP employees are not required to contribute this additional amount from August 1, 2000 until March 31, 2002. However, employer contributions will continue at the normal level.

c) Pensions

A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPPlan, 2% of the average salary during the best consecutive 60 month period, less an offset for amounts received under the CPP. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 (the "Factor 90") or when the member reaches age 60 and has 20 or more years of credit. The Province amended the PSPPlan to provide for an enhanced early retirement opportunity for certain members of the Plan (the "Factor 80"). Amendments allow an unreduced pension for those members whose age and years of credit in the PSPPlan add to 80. Members are eligible for this program if they achieve the Factor 80 prior to April 1, 2002 and elect, within certain limited time frames, to retire.

OPP members are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) **Death Benefits**
Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

e) **Disability Pensions**
Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPPlan. The amount of the disability pension is dependent on years of credit and average salary.

f) **Termination Payments**
Members terminating employment before age 55, who are eligible for a deferred pension, may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to another pension plan or to purchase a life annuity.

g) **Escalation of Benefits**
Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

3. Summary of Significant Accounting Policies

a) **Basis of Presentation**
The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and present the position of the PSPPlan as a separate entity independent of the employers and plan members.

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) **Principles of Consolidation**
The accounts of wholly-owned subsidiaries are included on a consolidated basis.

c) **Investments**
Traded investments are stated at fair value based on year-end market prices. Short-term investments are carried at amortized cost which approximates their aggregate fair value. Special Province of Ontario Debentures, which are non-marketable, are recorded at face value (see Note 4). Gains and losses realized on the disposal of investments are credited or charged to investment income. Withholding tax refunds from foreign jurisdictions are recorded on a cash basis. Investment transactions are presented on a trade date basis.

Real estate investments are stated at appraised values as established by independent appraisals at least every three years. Changes in valuation due to appraisal adjustments are included in unrealized gains. The last appraisal was performed this year.

d) **Contributions**

Contributions from members and employers which are due to the PSPPlan at year end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) **Pensions**

Payments of pensions, refunds and transfers are recorded in the year in which they are made.

f) **Capital Assets**

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

g) **Foreign Currency Translation**

Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions.

The fair value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year end.

4. Investments

As at December 31 (in thousands of dollars)	**2000** **Fair Value**	 **Cost**	1999 Fair Value	 Cost
Special Province of Ontario Debentures	$ 3,471,694	$ 3,471,694	$ 3,553,865	$ 3,553,865
Cash and short-term investments				
Canadian	737,352	736,700	724,748	727,608
Foreign	103,173	103,165	96,934	84,362
	840,525	839,865	821,682	811,970
Bonds				
Canadian	1,772,269	1,755,106	1,820,035	1,902,572
Foreign	335,028	320,898	321,899	362,295
	2,107,297	2,076,004	2,141,934	2,264,867
Equities				
Canadian	1,675,581	1,443,009	1,303,824	942,980
Foreign	2,663,749	2,010,796	2,244,484	1,461,683
	4,339,330	3,453,805	3,548,308	2,404,663
Real estate	911,666	848,759	837,509	814,030
Investments	11,670,512	10,690,127	10,903,298	9,849,395
Accrued income	281,720	281,720	281,610	281,610
Total	$11,952,232	$10,971,847	$11,184,908	$10,131,005

The Special Province of Ontario Debentures, which are non-marketable, are recorded at their aggregate face value of $3.472 billion. By discounting cash flows based on year-end market yields of comparable bonds, a value of $4.964 billion could be determined.

There are currently 20 Special Province of Ontario Debentures maturing over the next 14 years with a weighted average interest rate of 11.73%.

As Administrator of the Fund, the OPB has adopted a Statement of Investment Policies and Goals. This Statement provides investment objectives, performance expectations and guidelines for the management of the Fund. To reduce risk and enhance returns, equity and fixed income investments may be allocated to different asset classes. The proportion allocated at any point in time is determined based on an assessment of economic and financial market conditions. To provide the ability to respond to fundamental changes, the Fund's asset mix is maintained within the following ranges:

Equity	30% to 70%
Fixed income	30% to 70%

The Fund's long-term asset mix policy is as follows:

Equity	60%
Fixed income	40%

This policy was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed in the PSPPlan's actuarial valuation.

The OPB invests in high-grade bonds and common shares. The fair value of foreign investments will fluctuate with moves in exchange rates.

The OPB through its subsidiary owns a 100% interest in the following regional shopping centres:

Brentwood Mall, Burnaby, BC
Carlingwood Mall, Ottawa, ON
Lougheed Mall, Burnaby, BC
Marlborough Mall, Calgary, AB
Halifax Shopping Centre, Halifax, NS
Niagara Pen Centre, St. Catharines, ON
Pickering Town Centre, Pickering, ON
St. Vital Centre, Winnipeg, MB

The carrying value of the real estate assets was increased by $39 million to reflect the results of an independent appraisal conducted as at March 31, 2000.

See the Schedule of Fixed Income Maturities and the schedule of Investments Over $50 Million for further information.

5. Capital Assets

As at December 31 (in thousands of dollars)	**2000** **Cost**	**Accumulated Amortization**	**Net Book Value**	1999 Net Book Value
Computer equipment	$ 1,071	$ 976	$ 95	$ 315
Leasehold improvements	562	464	98	219
Furniture and fixtures	1,261	992	269	144
Total capital assets	$ 2,894	$ 2,432	$ 462	$ 678

6. Net Investment Income

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Interest income		
Special Province of Ontario Debentures	$ 411,547	$ 418,594
Cash and short-term investments		
Canadian	43,223	30,680
Foreign	4,989	3,813
Bonds		
Canadian	113,656	136,966
Foreign	20,468	18,314
Total interest income	593,883	608,367
Dividend income		
Canadian	37,081	19,893
Foreign	38,313	38,772
Total dividend income	75,394	58,665
Real estate income	72,189	70,625
Realized gain	455,166	182,430
Unrealized loss	(74,095)	(340,939)
Total investment income	1,122,537	579,148
Investment management and custodial fees	11,478	10,097
Net investment income	$ 1,111,059	$ 569,051

7. Contributions

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Members		
Current service	$ 77,752	$ 96,397
Prior service	10,122	3,524
	87,874	99,921
Employers		
Current service	82,103	99,401
Prior service	6,496	1,483
Interim unfunded liability payments received	106,131	121,263
	194,730	222,147
Total contributions	$ 282,604	$ 322,068

The contribution requirements are set out in the PSPAct and summarized in Note 2.

Contributions receivable represent members' and employers' contributions due as well as estimated receivables for members receiving benefits on LTIP and for the matching portion of buybacks billed to the employer.

8. Accrued Pension Benefits

a) Funding Basis

The funding of the PSPPlan is based on a method of valuation required under the PSPAct. An actuarial valuation of the PSPPlan, prepared on a funding basis, was completed by the OPB's actuaries, William M. Mercer Limited ("Mercer") as at December 31, 1999. This valuation disclosed an actuarial surplus of $335 million based on an actuarial liability of $11.683 billion and an actuarial value of assets of $12.018 billion at the end of 1999.

Effective August 2000, the Province provided for certain enhancements to the Plan. The actuarial cost of the benefits totalled $329 million.

The Pension Benefits Act (Ontario) and the Income Tax Act (Canada) require an actuarial valuation for funding purposes to be performed at least every three years.

b) Accounting Basis

The consolidated financial statements include assets and liabilities on a best estimate basis according to the reporting standard set by The Canadian Institute of Chartered Accountants (CICA).

The CICA basis requires that the obligation for accrued pension benefits be calculated using best estimate assumptions and the projected benefit method pro-rated on services. The key assumptions which have been used for this estimation are for long-term expectations and are adjusted annually in light of economic conditions. For 2000 and 1999, the key assumptions used are as follows:

	2000	1999
Interest	**7.0%**	7.0%
Inflation	**3.0%**	3.0%
Real rate of return	**4.0%**	4.0%
Salary	**4.0% +promotional scale**	4.0% +promotional scale

Best estimates for the actuarial value of assets include valuation of the Special Province of Ontario Debentures on a discounted basis. In addition, realized and unrealized gains and losses on marketable investments are amortized over four years.

9. Statutory Information

The statutory information required under the Public Sector Salary Disclosure Act, 1995, with respect to employees who are paid a salary of $100,000 or more in a year is as follows:

	Salary	**Taxable Benefits**
W.H. Somerville, Chairman	$124,204	Nil
L. Lu, President	$179,039	$428
M. Fuller, Executive Vice-President	$163,094	$394
R. Kay, Sr. Vice-President, Investments	$147,852	$362
A. Evagelou, Vice-President, Plan Administration	$113,687	$293
L. Bowden, Vice-President, Corporate Services	$105,499	$272
R. Sycamore, Treasurer & Director, Finance	$102,579	$266
J. Farrugia, Director, Planning & Information Technology	$100,516	$262

10. Ontario Provincial Police Force Early Retirement Benefit

Under the PSPPlan, the OPB is required to report annually on the early retirement benefit provided by the PSPPlan to members who are employed by the Ontario Provincial Police Force (OPP). This early retirement benefit is available to OPP members who are 50 years of age and have 30 years of credit in the PSPPlan. OPP members contribute 2% of their salary to the PSPPlan in addition to the regular contribution amount. This contribution is matched by the employer.

The liability of OPP members who qualify and elect to retire under the Factor 80 provision is not reported under the OPP early retirement benefit. When the Province's program expires, the liability for all OPP members who attain 50 years of age and have 30 years of credit in the PSPPlan will be reported under the OPP early retirement benefit.

The position of the OPP early retirement benefit was included in the actuarial valuation as at December 31, 1999. The value of projected future contributions and benefits included in the December 31, 1999 actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 2000. This method produces a reasonable estimate of the financial position of this benefit according to the OPB's actuaries.

The additional obligation and assets related to the OPP early retirement benefit as at December 31, 2000 were as follows:

(in thousands of dollars)	
Assets allocated to payment of OPP early retirement benefit	$ 63,956
Actuarial value of future additional contributions from OPP members and employer	$ 78,145
	$ 142,101
Actuarial value of future OPP early retirement benefit	$ 131,316
Assets and actuarial value of future additional contributions available in excess of actuarial value of future OPP early retirement benefit	$ 10,785

11. Operating Expenses

For the Year Ended December 31 (in thousands of dollars)	**2000**	1999
Salaries and benefits	$ 5,569	$ 4,818
Agency services	648	382
Office premises and operations	1,460	1,569
Computer and professional services	2,835	3,389
Depreciation and amortization	427	427
Communications	517	335
Audit	104	140
Travel	52	64
Publications, registration and filing fees	97	93
Total operating expenses	$ 11,709	$ 11,217

Schedule of Fixed Income Maturities

As at December 31 (in thousands of dollars)	**2000**		1999	
	Fair Value	**Effective Yield%**	Fair Value	Effective Yield %
Special Province of Ontario Debentures				
0-1 year	$ 76,334	10.11 - 13.40	$ 56,726	10.04 - 11.53
1-5 years	595,729	9.51 - 16.95	525,295	9.51 - 16.95
5-10 years	1,228,306	11.16 - 15.38	1,400,519	11.05 - 15.38
> 10 years	1,571,325	10.38 - 11.55	1,571,325	10.38 - 11.55
	$ 3,471,694		**$ 3,553,865**	
Cash and short-term investments				
Canadian				
0-1 year	$ 737,352	5.29 - 6.41	$ 724,748	4.63 - 5.16
Foreign				
0-1 year	103,173	3.25 - 5.47	96,934	5.30 - 5.51
	$ 840,525		**$ 821,682**	
Bonds				
Canadian				
0-1 year	$ 54,749	6.93 - 10.62	$ 6,839	5.55 - 9.66
1-5 years	335,727	4.97 - 9.41	287,522	5.96 - 7.35
5-10 years	864,104	5.19 - 10.90	1,238,159	5.76 - 9.62
> 10 years	410,666	5.61 - 8.01	287,515	6.24 - 7.65
PH&N Bond Fund				
2-28 years	107,023	6.33	--------	
	$ 1,772,269		$ 1,820,035	
Foreign				
0-1 year	$ -------		$ 18,060	4.78
1-5 years	44,365	4.92 - 7.68	114,660	4.58 - 7.28
5-10 years	265,153	4.04 - 7.18	178,047	5.12 - 8.87
> 10 years	25,510	5.24 - 5.47	11,132	4.60
	$ 335,028		$ 321,899	
	$ 2,107,297		**$ 2,141,934**	

Investments Over $50 Million

December 31, 2000

(in thousands of dollars)	Maturities	Coupon %	Fair Value $	Cost $
Special Province Of Ontario Debentures	2001 - 2014	9.51 - 16.95	3,471,694	3,471,694
Cash and Short-term Investments				
Canadian				
Government of Canada			215,235	214,879
Bank of Montreal			50,110	50,340
Bonds				
Canadian				
Government of Canada	2001 - 2029	5.00 - 10.25	655,779	649,115
Province of Ontario	2002 - 2029	4.88 - 10.00	256,613	250,819
Phillips Hager & North High Grade Corporate Bond Fund	2002 - 2028	5.49 - 12.20	107,023	105,587
Royal Bank of Canada	2003 - 2011	5.40 - 7.29	51,958	51,221
Foreign				
Government of France	2005 - 2009	4.00 - 5.50	149,029	140,179
Government of Germany	2009 - 2028	3.75 - 5.63	116,146	110,977
Government of United Kingdom	2008	9.00	53,430	52,219
Real Estate			911,666	848,759

(in thousands)	Shares	Fair Value $
Equities		
Canadian		
Nortel Networks Corporation	2,084	100,571
Royal Bank of Canada	1,941	98,715
Manulife Financial Corporation	1,805	84,740
Bombardier Inc.	3,180	73,622
The Bank of Nova Scotia	1,697	73,302
Canadian Imperial Bank of Commerce	1,526	70,973
BCE Inc.	1,638	70,933
The Toronto Dominion Bank	1,608	69,850
Bank of Montreal	805	63,242
Alberta Energy Company Ltd.	814	58,451
Foreign		
Merck & Co. Inc.	542	76,160
Exxon Mobil Corporation	580	75,642
Pfizer Inc.	938	64,706
Bristol-Myers Squibb Company	544	60,367
Johnson & Johnson	335	52,741
General Electric Company	714	51,337

Provincial Judges Pension Fund

Auditor's Report

To the Provincial Judges Pension Board
and to the Minister of Finance

I have audited the statement of changes in fund balance of the Provincial Judges Pension Fund for the year ended March 31, 2001. This financial statement is the responsibility of the Fund's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2 to the financial statement.

Toronto, Ontario
May 8, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

PROVINCIAL JUDGES PENSION FUND

Statement of Changes in Fund Balance
For the Year Ended March 31, 2001

	2001 ($000s)	2000 ($000s)
Deposits		
Contributions		
Participants	2,735	2,864
Province of Ontario (Note 4)	10,382	14,702
Interest earned	23,231	21,611
	36,348	39,177
Payments		
Pension payments and survivor allowances	14,462	14,181
Refunds	196	463
	14,658	14,644
Net increase in the Fund	21,690	24,533
Balance on deposit with the Minister of Finance		
Beginning of year	255,772	231,239
End of year	277,462	255,772

Contingent liability (Note 5)

See accompanying notes to financial statement

Approved on behalf of the Board:

Chair

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2001

1. DESCRIPTION OF THE FUND

The Provincial Judges Pension Fund (the Fund) is administered by the Provincial Judges Pension Board as designated by Ontario Regulation 67/92, as amended, of the *Courts of Justice Act*. The following brief description of the Fund is provided for general purposes only. For more complete information, reference should be made to the Regulation.

(a) General

The purpose of the Fund is to provide pension payments to retired Provincial Judges and Masters who are members of the Plan or survivor allowances to the dependents of these Judges and Masters.

(b) Funding Policy

Participants are required to contribute 7% of their salary to the earlier occurrence of meeting their basic service requirement or attaining age 70 years.

The annual contribution required of the Province is determined annually by an actuarial valuation.

(c) Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which the participant has credit upon ceasing to hold office and on the salary of a full-time judge of the highest judicial rank held by the participant while in office. The participant is entitled to these payments during his/her lifetime.

(d) Disability Pension Payments

A full pension is available at age 65 for participants with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness.

(e) Survivor Allowances

A survivor allowance equal to 60% of the pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education or disability criteria defined in section 22 of the Regulation.

(f) Death Refunds

A death refund is payable to the personal representative of a participant where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the participant's contributions in the Fund plus interest, less entitlements already paid out.

(g) Withdrawal Refunds

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Fund plus interest.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2001

1. DESCRIPTION OF THE FUND (CONTINUED)

(h) Interest Revenue

All new money, being the excess of deposits over payments each fiscal year, earns interest at a fixed rate for 25 years which is not less than the weighted average rate on long term securities issued or guaranteed by the Province of Ontario during that fiscal year. For the 2001 fiscal year, the rate applied to the new money each month was 6.59% (2000 - 6.60%) and was credited from the end of each month to the end of the fiscal year. The weighted average interest rate applied to the Fund balance at the beginning of the fiscal year was 9.05% (2000 - 9.31%).

(i) Fund Status

The Fund is not subject to the reporting requirements under the *Pension Benefits Act* and Regulations. However, the Fund has the status of a registered pension plan for income tax purposes.

(j) Escalation of Entitlements

Entitlements are adjusted annually based on changes in the Canadian Aggregate Industrial Wage as published by Statistics Canada, subject to a maximum of 7% in any one year.

(k) Pending Changes to the Fund

Amendments to the *Income Tax Act (Canada) (ITA)* limit the pension benefit payable from the Fund for post 1991 service. Cabinet has approved that benefits above the ITA limit will be provided through a separate supplementary account in the Consolidated Revenue Fund.

The terms of the Fund are being revised to comply with the requirements under the ITA, and an Order-in-Council will be required to establish the supplementary account. Revenue Canada is aware of the status of the supplementary account.

To date, the Fund has paid out approximately $8,680,043 which should have been paid from the supplementary account. Once the account is established, there will be a reconciliation between the account and the Fund, both of which are to be held within the Consolidated Revenue Fund.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statement has been prepared on a cash basis of accounting.

3. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Province of Ontario.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 2001

4. LIABILITY FOR FUTURE BENEFITS

The most recent actuarial valuation of the Fund disclosed that, as of March 31, 2000, the present value of future government contributions for pension payments and survivor allowances was $110,427,000 (1999 - $161,543,000). The decrease is mainly the result of a change in the asset valuation method from book to market value. The Province contributes towards this total in amounts recommended by the actuarial valuation. For each of the years shown, the contributions were based on the previous year's valuation, the most current valuation completed at the time the contributions were made.

5. CONTINGENT LIABILITY

Approximately 118 provincial court judges appointed before 1984 have commenced action against Her Majesty the Queen in Right of the Province of Ontario, claiming that the transfer of their contributions from the Public Service Superannuation Fund (PSSF) to the Provincial Judges Pension Fund (PJPF) was not legally authorized. They claim the return of their contributions or damages to a maximum of $200,000 each.

In December 1995 a retired provincial court judge brought an application alleging that the transfer of his contributions from the PSSF to the PJPF was not legally authorized. The court held that the transfer was lawful.

Crown counsel has approached counsel for the judges and they agreed not to oppose a dismissal of the claim.

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Public Guardian and Trustee for the Province of Ontario
and to the Attorney General

I have audited the balance sheet of the Public Guardian and Trustee for the Province of Ontario as at March 31, 2001 and the statements of fund balances and revenue and expenditures – Administration Fund and the statement of cash flows – Administration Fund for the year then ended. These financial statements are the responsibility of the Public Guardian and Trustee's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Guardian and Trustee for the Province of Ontario as at March 31, 2001 and the results of its operations – Administration Fund and its cash flows – Administration Fund for the year then ended in accordance with the accounting policies as explained in the Summary of Significant Accounting Policies.

Toronto, Ontario
June 5, 2001

J.R. McCarter, CA
Assistant Provincial Auditor

The Public Guardian and Trustee for the Province of Ontario

Balance Sheet

(in thousands of dollars)

March 31, 2001

	Estates and Trusts		Administration Fund	
	2001	2000	**2001**	2000
Assets				
Cash	$ -	$ -	$ 110	$ 117
Accounts receivable	2,070	5,628	2,695	2,113
Bonds and other debt issues	24,696	19,682	-	-
Funds invested (Schedule A)	776,015	868,202	12,548	58,562
Diversified fund (Schedule B)	64,146	-	47,514	-
Other assets (Schedule C)	86,818	88,240	-	-
	$ 953,745	$ 981,752	$ 62,867	$ 60,792
Liabilities and Fund Balances				
Bank indebtedness	$ 1,301	$ 1,624	$ -	$ -
Accounts Payable	989	1,911	3,738	5,969
Accrued interest (Note 5)	-	-	7,600	3,300
	$ 2,290	$ 3,535	$ 11,338	$ 9,269
Fund balances	951,455	978,217	51,529	51,523
	$ 953,745	$ 981,752	$ 62,867	$ 60,792

On behalf of The Public Guardian and Trustee for the Province of Ontario

Public Guardian and Trustee

Deputy Public Guardian and Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Estates and Trust Fund Balances

(in thousands of dollars)

March 31	2001	2000
Minors/litigants	$ 485,721	$ 515,450
Client estates	332,257	331,593
Crown estates	83,111	83,396
Cemetery trusts	17,910	16,333
Executorship estates	14,030	11,758
Unadministered estates	5,514	5,370
Forfeited corporate assets	3,952	3,922
Land titles	3,176	3,111
Corporate trusts	3,060	3,034
Unclaimed balances	1,591	1,554
Probable escheats (Note 1)	1,133	2,696
	$ 951,455	$ 978,217

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Gu
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For the year ended March 31, 2001

		Assurance Fund		Litigation Reserve Fund		Allowance for Doubtful Accounts Fund		Medical Contingency Fund		Unappro-priated Fund
Balance, beginning of year	$	200	$	2,000	$	100	$	100	$	49,123
Excess of revenue over expenditures		-		-		-		-		837
Claims during the year		(373)		(433)		-		(25)		-
Transfers										
Reimbursement of Claims		373		433		-		25		(831)
Balance, end of year	$	200	$	2,000	$	100	$	100	$	49,129

The accompanying summary of significant accounting policies and notes are an intergral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Revenue and Expenditures - Administration Fund

(in thousands of dollars)

For the year ended March 31		2001		2000
Revenue				
Fees collected				
Client estates	$	**9,185**	$	8,815
Minors/Litigants		**3,279**		-
Crown estates		**1,705**		1,207
Executorship estates		**196**		120
Charity trusts		**158**		150
Cemetery trusts		**146**		47
Forfeited corporate assets		**32**		33
Corporate trusts		**17**		1
Probable escheats		**8**		4
		14,726		10,377
Income from funds invested, net (Schedule D)		**5,553**		10,285
Loss from diversified fund, net (Schedule E)		**(526)**		-
Bank interest, net of charges		**(616)**		(562)
		19,137		20,100
Expenditures				
Salary and wages		**17,508**		14,949
Employee Benefits		**3,111**		2,846
Services		**2,406**		3,959
Transportation and communication		**1,413**		1,508
Supplies and equipment		**494**		453
		24,932		23,715
Less: Amount recovered from the Ministry of the Attorney General		**6,632**		7,415
		18,300		16,300
Excess of revenue over expenditures for the year	$	**837**	$	3,800

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Statement of Cash Flows - Administration Fund

(in thousands of dollars)

For the year ended March 31	2001	2000
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	$ 837	$ 3,800
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Loss from funds invested	5,431	5,442
Unrealized depreciation of diversified fund	1,404	-
Claims during the year	(831)	(743)
Accounts receivable	(582)	(1,883)
Accounts payable	(2,231)	(2,288)
Accrued interest	4,300	3,300
	8,328	7,628
Investing activities		
Purchases of investments, net	(8,335)	(7,548)
Increase (decrease) in cash during the year	(7)	80
Cash, beginning of the year	117	37
Cash, end of the year	$ 110	$ 117

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2001

Nature of Operations

The Public Guardian and Trustee for the Province of Ontario ("The Public Guardian and Trustee") performs duties under a number of statutes with the following main responsibilities:

- the management of estates of incapable adults
- the administration of estates of persons who have died in Ontario intestate and without next-of-kin
- the gathering of assets on behalf of the Crown under the Escheats Act when there is no known owner of those assets or the owner is a corporation no longer in existence
- the management of funds, mortgages and securities paid into or lodged with the Accountant of the Superior Court of Justice on behalf of minors and litigants
- a general supervisory role over charitable property

Basis of Accounting

The Organization follows generally accepted accounting principles except for the following:

(i) Capital assets – Items of a capital nature purchased by the Ministry of the Attorney General and the Public Guardian and Trustee are not capitalized and are charged to the Public Guardian and Trustee's expenditures in the year of acquisition.

(ii) Other assets of Estates and Trusts – Assets held on behalf of clients are accounted for on a market value basis as explained in the significant accounting policies relating to these items.

Estates and Trusts

Estates and Trusts represent accounts over which The Public Guardian and Trustee acts as guardian or trustee under various statues.

Unappropriated Administration Fund

The Administration Fund is the operating account of The Public Guardian and Trustee. It is used to accumulate fees charged to each estate and trust for services, as prescribed by the fee schedule under *The Public Guardian and Trustee Act*.

Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Administration Fund receives the net interest income of these investment activities, after interest is allowed on the funds of Estates and Trusts in accordance with regulations under the Act.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2001

Appropriated Administration Funds

Assurance Fund
The Act and regulations under the Act provide that an Assurance Fund shall be established to meet losses for which The Public Guardian and Trustee might become liable. Accordingly, this Fund has been established at $200,000 by transfers from the Administration Fund.

During the year the Fund was reimbursed $373,495 (2000 - $550,804) from the unappropriated fund.

Litigation Reserve Fund
The intent of the Litigation Reserve Fund is to cover costs of legal bills where The Public Guardian and Trustee is obliged to pay such costs on behalf of a client or to an opposing side.

During the year the Fund was reimbursed $433,379 (2000 - $176,960) from the unappropriated fund for legal costs incurred on behalf of the clients.

Allowance for Doubtful Accounts Fund
The intent of the Allowance for Doubtful Accounts Fund is to provide for all clients accounts whereby The Public Guardian and Trustee has paid expenses on a client's behalf but is not expected to be able to recover the amount from the client.

Medical Consultancy Fund
The Medical Consultancy Fund was set up to cover fees of capacity assessors when a client is unable to pay for the costs of an assessment or re-assessment.

During the year the Fund was reimbursed $24,539 (2000 - $14,619) from the unappropriated fund.

Cash and Cash Equivalents

Cash, as presented in the statement of cash flows, includes cash and cash equivalent balances held in accounts specifically assigned to the administration fund and does not include cash and cash equivalents held jointly with estates and trusts through funds invested. Cash and cash equivalents includes cash on hand, current bank accounts and short term deposits, if any, with terms to maturity of less than 90 days.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2001

Investments

Funds Invested

Funds are invested in high quality fixed income instruments subject to the investment guidelines of the Trustee Act and the guidelines and limitations as set by The Public Guardian and Trustee with emphasis on preservation of capital and maximizing return. This includes US dollars trust funds where to the Accountant of the Superior Court of Justice is ordered by the courts to hold these funds in US dollars.

The funds invested are reflected at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity, where these securities are intentionally held to maturity.

Interest income is distributed to participants by a prescribed interest rate approved by The Public Guardian and Trustee's Investment Advisory Committee.

Diversified Fund

The Public Guardian and Trustee has established a diversified fund that includes high quality equity and fixed income securities. This fund was established in August 2000 in order to provide an alternative for those clients whose unique investment objectives require a broader, longer range investment strategy. The fund is subject to the investment guidelines of the Trustee Act and the guidelines and limitations as set by The Public Guardian and Trustee with emphasis on the need to preserve and enhance the purchasing power of capital over the longer term.

The investment returns on this fund accrue directly to the participants and the investments are carried at market value

Other Stocks and Bonds of Estates and Trusts

Other stocks and bonds of Estates and Trusts are recorded at their market value at the time of taking over the Estates and Trusts. An annual adjustment to market value is made, as a minimum, at December 31 each year, with occasional revaluations made during the year.

Real Estate

Real estate is recorded at appraised value at the time of incorporation of the trust and is subject to periodic revaluations.

Life Insurance

Life insurance is recorded at its cash surrender value at the time of incorporating the trust and is subject to valuation every two years.

The Public Guardian and Trustee for the Province of Ontario

Summary of Significant Accounting Policies

March 31, 2001

Foreign Currency Translation

Foreign currency amounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date.

At the year end date, US dollar monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period. As of March 31, 2001 The Public Guardian and Trustee held only US dollars in foreign currency.

Use of Estimates

The preparation of financial statements in accordance with the accounting policies noted above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

The Public Guardian and Trustee for the Province of Ontario

Notes to Financial Statements

March 31, 2001

1. Funds Escheated to the Crown

The Public Guardian and Trustee is authorized by the *Escheats Act* to take possession of unclaimed property reverting to the Crown under the *Succession Law Reform Act, Business Corporations Act,* or common law. After a period of ten years, any property so received by The Public Guardian and Trustee which remains unclaimed is transferred to the Consolidated Revenue Fund of the Province.

During the year, $280,917 (2000 - $265,602) was transferred to the Province.

2. Transfers to Consolidated Revenue Fund

Pursuant to Section 9(5) of *The Public Guardian and Trustee Act*, the Lieutenant Governor in Council may from time to time direct that the payment into the Consolidated Revenue Fund of the Province of any balance at the credit of the Administration Fund.

No transfers were made during the year to the Consolidated Revenue Fund of the Province.

3. Pension Plan

The Public Guardian and Trustee provides pension benefits for its employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund. These plans are accounted for as multi-employer defined benefit pension plans as the Organization has insufficient information to apply defined benefit plan accounting. The expense represents the Organization's contribution to the plans during the year. The cost of post-retirement, non-pension employee benefits are paid by Management Board Secretariat and are not included in the Statement of Revenue and Expenditures – Administration Fund. The Public Guardian and Trustee's share of contributions to these Funds during the year was $858,958 (2000 - $913,414) and is included in employee benefits in the Statement of Revenue and Expenditures - Administration Fund.

4. Mortgages and Securities in Trust

The Public Guardian and Trustee in its capacity as Accountant of the Superior Court of Justice also acts as custodian of mortgages in the amount of $352,069 (2000 - $382,051) and miscellaneous securities and documents having a face value of $3,880,462 (2000 - $3,813,523). These amounts are not reflected in the financial statements as The Public Guardian and Trustee does not act as trustee but simply as custodian on behalf of the client.

5. Accrued Interest on Estates and Trusts

Funds invested by the Public Guardian and Trustee earn interest that differs from the prescribed rate paid to Estates and Trusts. During the year, an accumulated excess earned of approximately $7,600,000 (2000 - $3,300,000) was accrued and is to be paid out to Estates and Trusts in the subsequent year as an increase in the prescribed rate.

6. Contingencies

The Public Guardian and Trustee is involved in various legal actions arising in the normal course of operations, the outcome and ultimate disposition of which are not determinable at this time.

The Public Guardian and Trustee for the Province of Ontario

Schedule A - Funds Invested

(in thousands of dollars)

March 31		2001	2000
Cash		$ 3,013	$ 1,575
Accrued interest		12,192	13,349
Short term investments		109,606	169,415
		124,811	184,339
Long term investments			
Corporate Bonds	(i)	120,539	81,168
Federal Government	(ii)	222,966	292,765
Ontario Hydro	(iii)	29,847	48,133
Provincial Governments	(iv)	185,206	151,177
Financial Institutions	(v)	105,194	169,182
		663,752	742,425
		$ 788,563	$ 926,764
Allocated as follows			
Estates and Trusts		$ 776,015	$ 868,202
Administration Fund		12,548	58,562
		$ 788,563	$ 926,764

Long term investments	Interest Rates	Cost	Market Value
(i) Corporate Bonds			
1 - 5 years	5.40 - 8.70%	$ 86,035	$ 86,875
5 years +	5.65 - 6.55%	34,504	34,819
		120,539	121,694
(ii) Federal Government			
1 - 5 years	5.00 - 9.75%	158,807	159,775
5 years +	6.00 - 7.25%	64,159	64,053
		222,966	223,828
(iii) Ontario Hydro			
1 - 5 years	5.38 - 10.00%	29,847	28,076
		29,847	28,076
(iv) Provincial Governments			
1 - 5 years	4.88 - 9.75%	154,517	154,862
5 years +	5.10 - 9.00%	30,689	31,389
		185,206	186,251
(v) Financial Institutions			
1 - 5 years	5.40 - 11.00%	60,762	60,830
5 years +	5.55 - 8.15%	44,432	44,587
		105,194	105,417
		$ 663,752	$ 665,266

The Public Guardian and Trustee for the Province of Ontario

Schedule B - Diversified Fund

(in thousands of dollars)

March 31	2001	2000
Cash	$ 35	$ -
Accrued interest	762	-
Short term notes	3,499	-
	4,296	-
Bonds	42,654	-
Canadian equity	32,980	-
Foreign equity	31,730	-
	$ 111,660	$ -
Allocated as follows		
Estates and Trusts	64,146	-
Administration Fund	47,514	-
	$ 111,660	$ -

Schedule C - Other Assets

(in thousands of dollars)

March 31	2001	2000
Real Estate	$ 44,240	$ 44,210
Stocks and other Securities	31,242	33,770
Mortgages and loans receivable	2,280	991
Life insurance	2,933	2,826
Other	8,953	8,818
	89,648	90,615
Less: Mortgages and loans payable	2,830	2,375
	$ 86,818	$ 88,240

The Public Guardian and Trustee for the Province of Ontario

Schedule D - Income from Funds Invested

(in thousands of dollars)

March 31	2001	2000
Income from investments	$ 42,204	$ 48,139
Bank interest	484	272
	42,688	48,411
Less: Interest allowed	37,135	38,126
	$ 5,553	$ 10,285

Schedule E - Loss from Diversified Fund - Administration Fund

(in thousands of dollars)

March 31	2001	2000
Income from investments	$ 878	$ -
Unrealized appreciation (depreciation) of diversified fund	(1,404)	-
	$ (526)	$ -

RECORD OF EMPLOYEES' 2000 SALARIES AND BENEFITS

Please refer to the PSSD Guide before filling out this form

Cal Year	Sector	Employer	Surname	Given Name	Position	Salary Paid	Taxable Benefits
Insert additional rows as needed							
2000	Other - OPS	Public Guardian and Trustee	Stratford	Louise	Public Guardian & Trustee	$123,995.48	$351.00
2000			Chappell	Paul	Dir. Legal Serv./Deputy PGT	$121,077.49	$344.97
2000			Avila	Les	Counsel, Estates & Corporations	$104,409.71	$298.56
2000			Bur	Donald	Litigation Counsel	$106,828.14	$298.56
2000			Byerley	James	Solicitor	$104,708.27	$298.56
2000			De Sante	Dana	Counsel, Charities	$100,976.35	$286.29
2000			Glick	Marilyn	Litigation Counsel	$104,396.70	$298.41
2000			Goodman	Ken	Charities/Litigation, Team Leader	$104,409.45	$298.56
2000			Morrison	William	Client Lawyer	$104,209.01	$298.56
2000			Warner	Bruce	Client Lawyer	$104,409.01	$298.56
2000							

I certify that the information provided on this record is correct in accordance with the *Public Sector Salary Disclosure Act, 1996*.
This record has been approved by:

Sarah Reddick
Name

Human Resources Assistant
Position Title

416-314-2807
Phone Number

6-Mar-01
Date

Prepared under the *Public Sector Salary Disclosure Act, 1996*

Workplace Safety and Insurance Board

responsibility for financial reporting

The accompanying financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgements. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit Committee, to ensure that management fulfils these responsibilities. The Audit Committee meets periodically with management, internal auditors and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure and recommendations on internal control.

The Internal Audit Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent audit of the financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of this independent audit and their opinion on the financial statements of the WSIB.

Eckler Partners Ltd., the independent consulting actuaries to the WSIB, express an opinion on the adequacy and appropriateness of the valuation of the WSIB's benefits liability.

David Williams
President and
Chief Executive Officer

Thomas Chan
Vice-President,
Finance and Corporate Services
and Chief Financial Officer

March 7, 2001

auditors' report

KPMG

To the Workplace Safety and Insurance Board,
the Minister of Labour,
and to the Provincial Auditor

Pursuant to the *Workplace Safety and Insurance Act* which provides that the accounts of the Workplace Safety and Insurance Board (WSIB) shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the balance sheet of the WSIB as at December 31, 2000 and the statements of operations and unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of WSIB management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
March 7, 2001

balance sheet

as at December 31

($ Millions)	**2000**	**1999**
ASSETS		
Cash and cash equivalents	$ 52	$ -
Receivables	410	320
Investments (note 3)	10,309	9,552
Injured Workers' Retirement Fund (note 4)	388	332
Capital and other assets (note 5)	236	275
	$ 11,395	$ 10,479
LIABILITIES		
Payables and accruals	$ 466	$ 470
Mortgage payable (note 6)	73	74
Injured Workers' Retirement Fund (note 4)	388	332
Employee future benefit liability (note 11)	283	270
Benefit liabilities (note 7)	15,860	15,735
	17,070	16,881
UNFUNDED LIABILITY (note 8)	(5,675)	(6,402)
	$ 11,395	$ 10,479

On behalf of the Board of Directors:

Glen Wright, Chair
Director

Eileen Mercier, Vice Chair
Director

The accompanying notes form an integral part of the financial statements.

statement of operations
and unfunded liability
for the year ended December 31

($ Millions)	**2000**	**1999**
CURRENT OPERATIONS		
REVENUES		
Premiums for current year	$ 1,760	$ 1,707
Investments (note 3)	1,149	1,065
	2,909	2,772
EXPENSES		
Benefit costs (note 7)	2,694	2,338
Net increase in the Injured Workers' Retirement Fund (note 4)	56	59
Administrative and other expenses (note 9)	247	387
Legislated obligations and commitments (note 10)	156	145
	3,153	2,929
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM CURRENT OPERATIONS	(244)	(157)
Premiums for unfunded liability	971	1,061
EXCESS OF REVENUES OVER EXPENSES APPLIED TO REDUCE THE UNFUNDED LIABILITY	727	904
Unfunded liability, beginning of year	6,402	7,098
Change in accounting policy (note 11)	–	208
Unfunded liability, end of year (note 8)	$ 5,675	$ 6,402

The accompanying notes form an integral part of the financial statements.

statement of cash flows

for the year ended December 31

($ Millions)	**2000**		**1999**	
INVESTING CASH FLOWS				
Investment income	$ 450		$ 411	
Sale of investments	7,455		4,253	
Purchase of investments	(7,514)		(4,543)	
Net cash provided by investing activities		$ 391		$ 121
OPERATING CASH FLOWS				
Current operations				
Cash received from:				
Current premiums	$ 1,714		$ 1,618	
Cash paid to:				
Claimants, survivors and care providers	(2,342)		(2,203)	
Injured Workers' Retirement Fund	(56)		(63)	
Employees and suppliers for administrative goods and services	(446)		(396)	
Others under legislated obligations & commitments	(156)		(143)	
	(3,000)		(2,805)	
Net cash required by current operations		(1,286)		(1,187)
Cash received from unfunded liability premiums		947		1,005
CASH REQUIRED BY OPERATIONS		(339)		(182)
Increase (decrease) in cash and cash equivalents		52		(61)
Cash and cash equivalents, beginning of year		–		61
Cash and cash equivalents, end of year		$ 52		$ –

The accompanying notes form an integral part of the financial statements.

notes to the financial statements

December 31, 2000

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by an Act of the Ontario Legislature in 1914. It is responsible for administering the *Workplace Safety and Insurance Act, 1997*. The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides compensation to workers who sustain injuries arising out of and in the course of employment, or who contract occupational diseases.

The WSIB administers the *Workplace Safety and Insurance Act, 1997* for two groups of employers, referred to as Schedule 1 and Schedule 2. Schedule 1 relates to services and industries in which employers are insured through "collective liability" and are required to contribute to the WSIB Insurance Fund, whereas Schedule 2 relates to employers who are "self-insured" in that they are individually liable. The Federal Government, which is covered under a separate agreement with Human Resources Development Canada, is also treated as a Schedule 2 employer.

The WSIB pays the actual cost of claims for Schedule 2 workers and is reimbursed by those employers for the claims paid, as well as for the cost of prevention activities and administering the claims.

In addition, investment revenue is earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB does not receive government funding or other assistance and raises funds through premium rates being applied to the payrolls of Ontario's Schedule 1 employers covered under the *Workplace Safety and Insurance Act, 1997*. This funding provides compensation to workers or survivors of the workers who are injured in the course of employment or who contract an occupational disease.

Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money market instruments with initial maturities up to three months.

Investments

a) **Bonds, coupons and mortgages**

Bonds, coupons and mortgages are carried at amortized cost. In the case of mortgages, amortized cost is adjusted for principal repayments. Realized gains and losses on the sale of bonds, coupons and mortgages are deferred and amortized over the lesser of 20 years or the period to maturity of the security sold.

b) **Equities and real estate**

Equities and real estate are carried at cost adjusted towards fair value, using a five-year moving average market method. Realized gains and losses are deferred and amortized over a four-year period.

c) **Short-term securities**

Short-term securities consist of money market instruments with maturities between three and twelve months and are carried at cost. Gains and losses from sales are included in income in the year they occur.

d) **Foreign currency translation**

Transactions in investments denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the time of the transaction. The cash and cash equivalents are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Fair values of investments

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities. The fair value of bonds and equities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Short-term notes, treasury bills and term deposits maturing within a year are carried at cost, which together with accrued interest income approximates fair value given the short-term nature of these instruments.

The fair value of real estate is based on appraised values conducted on a cyclical basis.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

Fair value of other financial assets and liabilities

The fair values of cash, receivables, and payables approximate their carrying values due to the short-term nature of these instruments.

Injured Workers' Retirement Fund

Investments held in the Injured Workers' Retirement Fund are carried at fair value as defined above. Changes in fair values are taken into income of the Injured Workers' Retirement Fund in the year they occur or are realized.

Capital assets and depreciation

Capital assets are stated at cost. Capital assets are depreciated using the straight-line method at rates calculated to expense the cost of assets over their estimated useful lives which, in the case of buildings, office equipment and computer equipment, are 20 years, five years and three years respectively. The cost of buildings includes development, financing and other costs capitalized prior to becoming fully operational, at which time depreciation commences.

Premium revenue

Under the *Workplace Safety and Insurance Act, 1997*, the Board shall determine the total amount of the premiums to be paid by all Schedule 1 employers with respect to each year in order to maintain the Insurance Fund under this *Act*.

Premium revenue is determined on the basis of applying the applicable premium rates to estimated and actual payrolls for employers included in Schedule 1 of the *Workplace Safety and Insurance Act, 1997*, adjusted for claim experience where relevant.

Schedule 2 employers are individually liable to pay the benefits under the *Workplace Safety and Insurance Act, 1997* with respect to the workers employed. Reimbursements for claims paid and the cost of administering the claims are included in the premiums of the WSIB.

Premiums for unfunded liability

In advance of the fiscal year, the WSIB notifies Schedule 1 employers of the methods used to calculate these rates, the premiums payable and the payment schedule. Premium rates include a specified component that is applied to reduce the unfunded liability.

Benefit liabilities

The benefit liabilities are determined annually through an actuarial valuation and represent a provision for future payments and the future cost of administering claims relating to claims incurred on or before December 31. The provision has been obtained by estimating future benefit payments in accordance with the adjudication practices in effect at December 31, 2000 and is based on legislation enacted January 1, 1998.

The benefit liabilities do not include any provision for payment of claims relating to Schedule 2 employers as they are a liability of Schedule 2 employers.

Benefit liabilities do not include any provision for future claims relating to occupational diseases and injuries that are not currently considered to be work related.

3. Investments and investment revenue

The carrying value of investments comprises investments at cost of $10,986 million (1999: $10,230 million) including accrued investment income, plus adjustments towards fair value of $653 million (1999: $574 million), less unamortized net gains realized on the sale of investments of $1,330 million (1999: $1,252 million).

Investments by category are as follows:

($ Millions)	2000		1999	
	Carrying value	Fair value	Carrying value	Fair value
Fixed income securities				
Bonds	$ 3,548	$ 4,022	$ 3,524	$ 3,879
Mortgages	-	-	2	2
	3,548	4,022	3,526	3,881
Equities				
Domestic	2,828	3,756	2,964	3,778
Foreign - U.S.	712	992	562	1,049
- Global	2,828	3,389	2,185	2,961
	6,368	8,137	5,711	7,788
Real estate	327	362	235	273
Short-term securities				
Money market instruments	-	-	7	7
Accrued investment income	66	66	73	73
	$ 10,309	$ 12,587	$ 9,552	$12,022

The WSIB engages in a securities lending program whereby securities are loaned to borrowers, approved by the WSIB and the custodian, for a fee, against high quality collateral. At December 31, 2000, the fair value of securities on loan was $2,170 million (1999: $1,816 million).

Foreign investments are exposed to currency risk. Derivative instruments are used for the sole purpose of hedging foreign currency transactions to better manage and reduce currency risk. Such instruments are valued at year-end market prices. The notional amount of foreign currency contracts hedging investments in foreign currencies totalled $242 million at December 31, 2000 (1999: $73 million). Their related replacement value at year-end was $243 million (1999: $71 million). The contracts mature in the first three months of 2001.

Bonds by term to maturity as at December 31:

($ Millions)	2000					1999
	Term to maturity					
	Up to 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total	Total
Government bonds						
Carrying value	$ 14	$ 1,297	$ 948	$ 735	$ 2,994	$ 3,188
Fair value	$ 14	$ 1,314	$ 973	$ 760	$ 3,061	$ 3,118
Yield %	5.6	5.4	5.5	5.9	5.6	6.3
Corporate bonds						
Carrying value	$ 9	$ 414	$ 262	$ 272	$ 957	$ 786
Fair value	$ 9	$ 417	$ 264	$ 271	$ 961	$ 761
Yield %	5.6	5.9	6.3	6.8	6.3	6.7
Less: unamortized gain					403	450
Total						
Carrying value					$ 3,548	$ 3,524
Fair value					$ 4,022	$ 3,879
Yield %					5.7	6.4

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each bond equal to its fair value at December 31.

Revenue by category of investment is as follows:

($ Millions)	2000	1999
Bonds	$ 285	$ 262
Equities	854	797
Short-term securities	11	4
	1,150	1,063
Injured Workers' Retirement Fund	21	23
Investment expenses	(22)	(21)
Investment revenue	$ 1,149	$ 1,065

In 2000, $743 million (1999: $706 million) of realized and unrealized net gains were amortized to investment revenue.

Injured Workers' Retirement Fund

Under section 44 of the *Workers' Compensation Act* and *Regulations of Ontario, RSO 1990* (which continues to apply to injuries and diseases prior to January 1, 1998) the WSIB sets aside funds equal to ten per cent of every payment made to injured workers under section 43 of that *Act*. In accordance with the provisions of that *Act*, these funds are segregated from the WSIB's Insurance Fund and are invested to provide retirement income benefits for injured workers.

Under section 45 of the *Workplace Safety and Insurance Act, 1997*, effective January 1, 1998, the WSIB sets aside five per cent rather than ten per cent of workers' loss of earnings benefits for his/her retirement fund for new claims incurred after December 31, 1997. An injured worker may choose to contribute a further five per cent from his/her loss of earnings benefits. The amount is set aside only after the worker has received payments for loss of earnings for 12 continuous months. Since the *Workplace Safety and Insurance Act, 1997* took effect January 1, 1998, the five per cent set aside first occurred on January 1, 1999.

The carrying value of the fund at December 31 is as follows:

($ Millions)	2000	1999
Cash	$ 2	$ 4
Investment in pooled fund	386	-
Bonds	-	117
Equities - Domestic	-	120
- Foreign global	-	61
Money market instruments	-	28
Accrued investment income	-	2
	$ 388	$ 332

The investment in pooled fund comprises fixed income securities $149 million, equities $225 million and money market instruments $12 million.

In 2000, the net increase in the Injured Workers' Retirement Fund was $56 million (1999: $59 million).

The change in net assets is as follows:

($ Millions)	2000	1999
Fund set aside under the *Act*	$ 46	$ 44
Investment income	16	10
Increase in market value	5	13
Benefit costs paid	(11)	(8)
Increase in net assets	56	59
Net assets, beginning of year	332	273
Net assets, end of year	$ 388	$ 332

5. Capital and other assets

($ Millions)	2000 Cost	2000 Net book value	1999 Net book value
Buildings and leasehold improvements	$ 217	$ 160	$ 163
Office equipment	107	14	15
Computer equipment	75	28	40
	399	202	218
Other assets	34	34	57
	$ 433	$ 236	$ 275

Depreciation expense in 2000 was $30 million (1999: $27 million).

6. Mortgage payable

The WSIB is a 75 per cent participant in the co-ownership agreement of its head office building. To fund partially the development and construction of the building, the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually.

7. Benefit liabilities and benefit costs

Benefit liabilities represent an actuarially determined provision for future benefit payments relating to incurred claims discounted to present value at the assumed net investment returns as shown below. Estimates of future benefit payments refer to both reported and unreported claims which have arisen from work-related injuries and occupational diseases that occurred on or before December 31, 2000, and are based on the level and nature of entitlement, as prescribed by legislations, and on adjudication practices in effect at December 31, 2000 and 1999.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments depends on economic and actuarial assumptions and methods, which were based on past experience, modified for current trends. These assumptions may change over time to reflect underlying conditions and it is possible that such changes could cause a material change in the actuarial present value of future benefit payments.

The following key long-term economic assumptions were used in the actuarial valuation of the benefit liabilities:

	2000	1999
Inflation rate	3%	3%
Rate of indexation of benefits		
Fully indexed	3%	3%
Partially indexed	0.5%	0.5%
Net Investment return		
Fully indexed	4%	4%
Partially indexed	6.5%	6.5%
Wage and health care costs escalation rate	4%	4%

Mortality estimates were based on the WSIB's mortality experience of 1991-1995 for injured workers and on the Ontario Life Tables adjusted to reflect the WSIB's mortality projections for survivors of deceased workers of 1990-1992. Provision has been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes the amount provided for future payments for incurred claims to be adequate. Long-term economic and actuarial assumptions and methods are reviewed annually at December 31 of each year, when independent actuarial valuations are performed. The actuarial cost of claims for reported and unreported work-related injuries that occurred in the year are recorded under benefit costs, together with adjustments, if any, resulting from the continuous review of entitlements and experience and from changes in legislation, assumptions or methods.

The benefit liabilities include a provision of $755 million (1999: $820 million) for the future costs of administering existing claims. Administrative and other expenses have been reduced by $227 million relating to claim administration costs released from the provision for benefit liabilities in the current year. The comparative claim administration costs for 1999 was nil, as the provision was set up for the first time on December 31, 1999.

Benefit liabilities provision and benefit costs paid in 2000 were as follows:

($ Millions)				2000					1999
		Labour market re-entry							
	Long-term disability	Income support	External providers	Short-term disabiltiy	Health care	Survivor benefits	Claim administration costs	Total	Total
Benefit liabilities,									
Beginning of year	$ 11,037	$ 619	$ 224	$ 473	$ 1,254	$ 1,308	$ 820	**$15,735**	**$15,600**
Benefit costs	1,659	(150)	79	535	270	139	162	**2,694**	**2,338**
Benefit costs paid,									
During the year									
Schedule 1	(1,213)	(98)	(54)	(365)	(270)	(114)	(227)	**(2,341)**	**(1,986)**
Schedule 2	(110)	(8)	(3)	(53)	(30)	(13)	-	**(217)**	**(209)**
Injured Workers' Retirement Fund	(11)	-	-	-	-	-	-	**(11)**	**(8)**
	(1,334)	(106)	(57)	(418)	(300)	(127)	(227)	**(2,569)**	**(2,203)**
Benefit liabilities,									
End of year	$ 11,362	$ 363	$ 246	$ 590	$ 1,224	$ 1,320	$ 755	**$15,860**	**$15,735**

Benefit costs paid include the following:

(\$ Millions)	Schedule 1		Schedule 2	
	2000	1999	2000	1999
Long-term disability				
Worker pensions	\$ 572	\$ 572	\$ 61	\$ 63
Supplements	242	245	18	19
Future economic loss	315	300	21	19
Non-economic loss	84	80	10	9
	1,213	1,197	110	110
Labour market re-entry				
Income support	98	123	8	10
External provider	54	43	3	2
	152	166	11	12
Short-term disability	365	286	53	47
Health care				
Health care	250	211	28	24
Medical reports	20	18	2	2
	270	229	30	26
Survivor benefits	114	108	13	14
Claim administration costs	227	-	-	-
	\$ 2,341	\$ 1,986	\$ 217	\$ 209

8. Actuarial reconciliation of the change in the unfunded liability

The actuarial reconciliation of the change in the unfunded liability is as follows:

(\$ Millions)		2000		1999
Unfunded liability, beginning of year		\$ 6,402		\$ 7,098
Add/(deduct):				
Investment income not earned due to shortfall in invested assets		450		499
Premiums allocated to reduction of unfunded liability		(971)		(1,061)
Experience gains (losses) resulting from:				
Indexation of benefits less than expected		(49)		(69)
Higher than expected investment returns		(426)		(408)
Prior and current years' claims experience		234		(16)
Changes in assumptions				
Net investment returns	-		(775)	
Long-term loss of earnings	(140)		-	
Future claim administration costs	(80)		820	
Other changes	150	(70)	106	151
Change in personal income tax rates		105		-
Change in accounting policy (note 11)		-		208
Unfunded liability, end of year		\$ 5,675		\$ 6,402

9. Administrative and other expenses

Administrative and other expenses consist of the following:

(\$ Millions)	2000	1999
Salaries and employee benefits	\$ 295	\$ 259
Equipment depreciation and maintenance	42	30
Occupancy	31	31
Communication	11	12
Supplies and services	16	13
Travel and vehicle maintenance	7	6
Other	14	10
Year 2000 project	-	26
	416	387
Agility program	58	-
	474	387
Claim administration costs (note 7)	(227)	-
	\$ 247	\$ 387

10. Related party transactions

Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997*, and as directed by the Lieutenant Governor through Orders in Council, the WSIB is required to reimburse the Government of Ontario for the administrative cost of the *Occupational Health and Safety Act*. In addition, the WSIB is also required to fund the operating costs of the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Adviser and the mine rescue stations. The amounts of reimbursements and funding are determined and approved by the Minister of Labour. The WSIB is also committed to provide funding for the Institute for Work and Health and for the Safe Workplace Associations, training centres and clinics. The total amount of funding provided under these legislated obligations and commitments in 2000 was $156 million (1999: $145 million).

Investments

Included in investments are marketable fixed income securities issued by the Ontario provincial government and related corporations of $373 million (1999: $362 million).

Other

In addition to the legislated obligations and injury prevention expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations, with various Ontario government-controlled ministries, agencies, and Crown corporations with which the WSIB may be considered related. Such transactions are conducted on terms and conditions similar to those transactions with unrelated parties. Account balances resulting from these transactions are not significant.

11. Employee future benefit liability

In 1999 WSIB changed its accounting policy for employee future benefits other than pensions based on the Canadian Institute of Chartered Accountants (CICA) accounting standards for *Employee Future Benefits*. The effect of this accounting policy change on January 1, 1999 was the recognition of an employee future benefit liability of $208 million.

An independent actuarial valuation was performed as of December 31, 2000 in accordance with the new accounting standards, Section 3461 of the CICA handbook *Employee Future Benefits*. At year end 2000, the WSIB's employee future benefit accrued obligation other than pensions was $283 million (1999: $270 million).

The significant actuarial assumptions adopted to value the WSIB's employee future benefit obligation other than pensions were as follows:

	2000	1999
Discount rate	7%	6%
Health care cost trend rate		
Medical	5%	5%
Dental	4%	4%

12. Pension plans

The WSIB has two pension plans for its employees and the employees of Safe Workplace Associations, training centres and clinics: the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan is a contributory defined benefit pension plan that provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension plan are administered by the WSIB.

An independent actuarial valuation, performed as of December 31, 2000 in accordance with the new accounting standards Section 3461 of the CICA handbook *Employee Future Benefits* has determined that the pension plan is in a surplus position. The accrued pension obligations of the contributory defined benefit plan reflect management's estimates of salary escalations, investment rate of return, mortality of members, terminations and the ages at which members will retire.

The WSIB's Employees' Supplementary Pension Plan is a contributory defined benefit plan and was created to ensure that employees of the WSIB whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Income Tax Act (Canada)* will receive pension benefits based on their total earnings. The investment activities and the administrative and accounting matters of the supplementary pension plan are administered by the WSIB.

As at December 31, the plans' status was as follows:

($ Millions)	Employees' Pension Plan	Supplementary Pension Plan
Fair value of plan assets	$1,186.8	$ 0.8
Accrued pension benefits obligation	977.2	8.9
Plan surplus (deficit)	$ 209.6	$ (8.1)
Accrued pension benefits assets (liabilities) recognized	$ 22.6	$ (2.7)
Plan expense for the year	$ 24.2	$ 2.7
Employer contributions	-	$ 0.2
Employee contributions	-	$ 0.2
Pension benefits paid	$ 36.0	-

The significant actuarial assumptions adopted as at December 31, 2000 to value the WSIB's pension plans were as follows:

	Employees' Pension Plan	Supplementary Pension Plan
Discount rate	7.00%	7.00%
Expected long-term rate of return on plan assets	7.50%	3.75%
Rate of compensation increase	5.50%	5.50%

13. Commitments and contingencies

Operating leases

At December 31, 2000, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately $17 million per year over the next five years and $32 million in aggregate thereafter.

Legal actions

The WSIB is party to various claims and lawsuits that are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on the WSIB.

Bank line of credit

The WSIB maintains an unsecured $150 million line of credit with a commercial bank. The credit line was not utilized in 2000.

14. Comparative figures

Certain of the comparative amounts have been reclassified to conform with the presentations adopted in the current year.

public sector salary disclosure 2000

Name	Position	Earnings	Taxable Benefits	Total Earnings
Abrams, Brenda E.	Legal Counsel 2	$104,671.66	$182.42	$104,854.08
Achar, Ramach Andra	Medical Consultant	$111,783.81	$196.17	$111,979.98
Adamo, Valerie	VP Info Svcs & CIO	$166,183.45	$243.82	$166,427.27
Allingham, Richard	Dir Research & Evaluation	$110,157.58	$189.65	$110,347.23
Angove, Linda	Corporate Secretary	$106,268.90	$170.07	$106,438.97
Anstey, Calvin	Dir Transportation Sctr	$103,632.93	$181.78	$103,814.71
Argue, Robert	Dir Applications Dev	$105,941.11	$184.66	$106,125.77
Aronshtam, Masha	Medical Consultant	$122,205.18	$212.03	$122,417.21
Arvisais, J.	Medical Consultant	$122,392.85	$212.03	$122,604.88
Bain, Donna	Exec Dir Hlth Svcs Mgmt	$118,038.56	$199.58	$118,238.14
Belanger, Adele Marie	Legal Counsel 2	$107,535.85	$183.95	$107,719.80
Bell, Susan	Dir CCP	$105,536.17	$179.82	$105,715.99
Bishop, M.	Medical Consultant	$120,892.85	$212.03	$121,104.88
Bowman, Leslie	Medical Consultant	$124,991.84	$219.05	$125,210.89
Brown, Elizabeth	Legal Counsel 2	$107,535.85	$183.95	$107,719.80
Burton, Neil	Dir Client Server Div	$115,735.97	$193.03	$115,929.00
Cantlie, George	Medical Consultant	$129,797.84	$219.05	$130,016.89
Chain, Marybelle	Medical Consultant	$127,205.87	$211.03	$127,416.90
Chan, Thomas	VP Finance & Corp Svs & CFO	$183,073.70	$258.78	$183,332.48
Chen, Kathy	Sr Spec Database	$107,243.62	$134.40	$107,378.02
Colaco, Carmen	Medical Consultant	$118,263.44	$219.05	$118,482.49
Coutinho, Jude	Assoc Dir/Physician	$125,130.12	$217.94	$125,348.06
Cude, Beverley	Dir Technology Svcs	$123,037.58	$186.62	$123,224.20
David, Lawrence	Medical Consultant	$118,422.89	$208.78	$118,631.67
De Demeter, Dorrit	Medical Consultant	$124,991.84	$219.05	$125,210.89
De Domenico, Ivan J.	Medical Consultant	$121,357.00	$212.03	$121,569.03
Deslauriers, Jean	Medical Consultant	$112,783.81	$196.17	$112,979.98
Djan, P. A.	Medical Consultant	$116,081.82	$196.17	$116,277.99
Douglas, Colin J.	Legal Counsel 2	$107,535.85	$183.95	$107,719.80
Douglas, Richard Alexander	Dir Employee Relations	$125,342.55	$218.31	$125,560.86
D'souza, Irene	Medical Consultant	$116,012.16	$204.10	$116,216.26
Dudley, John	Assoc Dir/Physician	$129,134.70	$224.43	$129,359.13
Fahmy, Nadia	Dir Admin Svcs	$100,615.65	$174.19	$100,789.84
Fedder, Jonathan E.	Managing Dir Legal	$101,244.69	$0.00	$101,244.69
Flynn, Miriam E.	Legal Counsel 2	$105,013.62	$183.74	$105,197.36
Garg, S. K.	Medical Consultant	$122,205.18	$212.03	$122,417.21
Geary, Judy	GM CCP & Spec Claims Svcs	$157,837.01	$233.22	$158,070.23
Germansky, Martin	Medical Consultant	$120,892.85	$212.03	$121,104.88
Gibbs, Harry	VP Investments	$226,812.11	$321.14	$227,133.25
Gregoire, Jean	Chief Actuary	$229,466.57	$254.32	$229,720.89
Hadjiski, Anna	Medical Consultant	$124,991.84	$219.05	$125,210.89
Hall, Nick M.	Dir Automotive Sctr	$103,811.91	$182.34	$103,994.25
Hawkins, Adam J.	Dir Realty Invest	$136,806.39	$188.55	$136,994.94
Heckadon, Robert	Assoc Dir/Physician	$143,998.33	$0.00	$143,998.33
Hickman, Robert	Medical Consultant	$115,965.88	$204.10	$116,169.98
Higgins, Jodi	Dir Small Business	$100,589.98	$173.29	$100,763.27
Ho Kim, Thu Lan	Medical Consultant	$113,060.10	$197.25	$113,257.35
Ho, Michael	Medical Consultant	$124,991.84	$219.05	$125,210.89
Holyoke, Paul	General Counsel	$203,860.56	$276.43	$204,136.99
Horseman, Brock C.	Sr VP Operations	$300,805.49	$376.42	$301,181.91
Jolley, Linda	VP Policy & Research	$192,254.03	$251.83	$192,505.86
Jones, Derek	Medical Consultant	$108,319.30	$197.25	$108,516.55
Kanalec, Andrew D.	Assoc Dir/Physician	$136,438.63	$239.20	$136,677.83
Karr, A. Wm.	Medical Consultant	$120,892.85	$212.03	$121,104.88
Keatings, Margaret	Dir Prof Practice/CNO	$100,754.70	$175.86	$100,930.56
Kelly, J. Brian	Assoc Dir/Physician	$140,929.36	$247.13	$141,176.49
Kempster, Geoff	Dir Manufacturing Sctr	$102,459.08	$178.48	$102,637.56
Kosmidis, Elizabeth	Legal Counsel 2	$107,535.85	$183.95	$107,719.80
Kulynych, Heidi	Exec Asst (CEO)/Dir Corp Office	$111,080.00	$182.52	$111,262.52
Kwong, Paul	Project Dir	$113,905.17	$167.68	$114,072.85
Lamanna, Pat	Dir Small Business	$105,450.27	$184.05	$105,634.32
Lamoureux, Linda	Dir Special Invest'n	$153,665.86	$240.47	$153,906.33
Leshchyshyn, Dana	Dir Ind Sctr Construction	$106,676.85	$187.83	$106,864.68
Levitsky, Marianne	Dir Best Practices	$107,337.46	$175.43	$107,512.89
Lewis, Owen	Dir Applications Dev	$105,309.32	$177.52	$105,486.84
Landry, David	Dir Client Server Dv	$113,113.67	$185.53	$113,299.20
Lortie-Monette, Francine	Medical Consultant	$116,012.16	$204.10	$116,216.26
Lovelock, Ronald	Dir Prevention Svcs	$103,967.09	$173.63	$104,140.72
Luck, Mary	Dir Svcs Sctr	$107,038.11	$185.66	$107,223.77
MacArthur, Angus	Medical Consultant	$124,991.84	$219.05	$125,210.89
Maehle, Waldemar	Medical Consultant	$111,783.81	$196.17	$111,979.98
Malayil, Ammini	Medical Consultant	$124,991.84	$219.05	$125,210.89
Martin, Peter J.	Dir Compensation	$122,478.06	$194.19	$122,672.25
Mastrilli, Arcangelo	Medical Consultant	$124,531.18	$212.03	$124,743.21
McAdam, Roberta	Dir Revenue Audit Svcs	$103,441.21	$182.31	$103,623.52
McCarthy, Jane	GM Hlth Svc Adm/Sp Prog	$114,667.43	$199.58	$114,867.01
McCullough, Corinne	HPT Process Consultant	$102,080.73	$176.45	$102,257.18
McKenna-Boot, Patricia	Medical Consultant	$111,783.81	$196.17	$111,979.98
McMurtrie, Robert	Dir Financial Services	$111,498.47	$168.27	$111,666.74
Meenan, John J.	Medical Consultant	$113,073.22	$199.24	$113,272.46
Mitchell, William	Dir Applications Dev	$112,029.22	$185.08	$112,214.30
Morden, Donald Lawrence	VP Human Resources	$200,860.52	$275.45	$201,135.97
Morrison, Richard	Dir Small Business	$100,127.49	$176.21	$100,303.70
Mould, Roy	VP Prevention	$175,862.11	$249.22	$176,111.33
Painvin, Catherine	Dir Clinical Resources	$147,453.25	$254.94	$147,708.19
Prichett, Barry	Medical Consultant	$120,892.85	$212.03	$121,104.88
Pushka, Wayne	Asst Dir & Chief Investigation	$100,332.87	$173.28	$100,506.15
Ramsey, Willard	Chief Actuary	$126,675.49	$222.94	$126,898.43
Roy, Marie	Medical Consultant	$134,526.84	$219.05	$134,745.89
Scullion, Catherine	Medical Consultant	$103,187.77	$177.69	$103,365.46
Sgro, Joseph	Dir Quality Improvement	$108,987.48	$182.26	$109,169.74
Shapiro, Gary	Medical Consultant	$120,892.85	$212.03	$121,104.88
Sherwin, Linda	Medical Consultant	$111,783.81	$196.17	$111,979.98
Simmons, Wayne B.	Dir Bonds & Money Mkt	$141,353.01	$239.01	$141,592.02
Slinger, John	Dir Appeals	$123,097.27	$201.40	$123,298.67
Stasilo, Dave	Board Auditor	$143,263.92	$221.87	$143,485.79
Sutherland, Doris	Medical Consultant	$124,991.84	$219.05	$125,210.89
Taraschuk, Ihor	Medical Consultant	$111,783.81	$196.17	$111,979.98
Thakur, Ranasree	Medical Consultant	$122,552.05	$215.54	$122,767.59
Thomas, Roy E.	VP Communications	$135,217.37	$199.88	$135,417.25
Thomson, Garry	GM Industry Sector	$152,054.40	$227.76	$152,282.16
Todorovic, Slavica	Dir Benefits Policy	$108,640.01	$189.65	$108,829.66
Walker, John	Medical Consultant	$120,792.85	$212.03	$121,004.88
Weatherbee, Wayne	GM Small Business Svcs	$155,224.77	$229.32	$155,454.09
Welton, Ian	Dir Rev Policy	$110,157.58	$189.65	$110,347.23
Williams, David	President & CEO	$752,435.97	$701.61	$753,137.58
Wright, Glen	Chair of the Board	$123,215.04	$0.00	$123,215.04

** The amount shown as earnings in this disclosure statement may not represent the individual's actual annual rate of salary. The earnings required to be made public under the *Public Sector Salary Disclosure Act, 1996* reflect the amount reported to Revenue Canada on the employer's T4 slip for an employee. The earnings shown in this statement may therefore include non-recurring payments in 2000 for retroactive pay from a reclassification or a grievance settlement or a payout upon retirement. The earnings shown may be less than the individual's annual rate of salary if the individual worked only part of the year.

LOSSES DELETED FROM THE ACCOUNTS

(Under the *Financial Administration Act*)
for the year ended March 31, 2001

Ministry	
Finance	$81,070,019.83
Community and Social Services	$34,331,733.00
Management Board Secretariat	$11,996,396.81
Training, Colleges and Universities	$9,707,466.00
Health and Long Term Care	$7,554,472.46
Municipal Affairs and Housing	$4,105,276.08
Transportation	$931,644.00
Solicitor General	$592,706.36
Economic Development and Trade	$252,275.50
Natural Resources	$220,068.20
Consumer and Commercial Relations	$206,948.95
Agriculture, Food and Rural Affairs	$142,630.31
Attorney General	$10,824.49
Tourism	$5,124.00
Chief Election Office	$2,237.87
Correctional Services	$837.67
TOTAL MINISTRIES	**$151,130,661.53**
Ontario Development Corporations	$1,721,076.00
TOTAL WRITE-OFFS	**$152,851,737.53**

REVENUE REMISSIONS OF $1,000 OR MORE

(Under the *Ministry of Revenue Act*)
granted for the year-ended March 31, 2001

Ministry of Finance	**$**
Regional Municipality of Waterloo	
Retail Sales Tax	1,302,808
Prudential Sadie Moranis Realty Limited	
Employer Health Tax	515,642
Henry Halge	
Retail Sales Tax	1,600
	1,820,050